February 16, 2016

Ms. Susan M. Cosper, Technical Director
Financial Accounting Standards Board
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Via Email to director@fasb.org

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Re: File Reference No. 2015-340

Dear Ms. Cosper:

Grant Thornton LLP appreciates the opportunity to comment on Proposed Accounting Standards Update (ASU), *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance*. We support the Board's objective to develop guidance on accounting for government assistance, including disclosure requirements, in order to increase transparency about government assistance received by entities. However, we do not believe that the proposed ASU fully achieves the Board's objective. We recommend that the Board consider adding a standard-setting project to its agenda that encompasses recognition, measurement (both initial and subsequent), presentation, and disclosure guidance for government assistance.

As further explained in our responses to the questions for respondents below, we believe the guidance should clarify the scope of the government assistance, which would require disclosures and measurement guidance for disclosing quantitative information about the government assistance received but not recognized in financial statements.

Scope of government assistance disclosures

Based on the guidance in the proposed ASU, we believe that it is difficult to identify the nature of the government assistance that would require disclosure and that the Board therefore should clarify the scope of the guidance. As defined in the proposed Update, the scope of the disclosure requirement includes all government programs that (a) result in an entity entering into a legally enforceable agreement with the government, (b) provide the entity with *value*, and (c) provide government with complete discretion over whether and how much value an entity receives.

We believe that interaction of the condition that would require existence of a legally enforceable contract and the condition that would provide one party to a legally enforceable contract with complete discretion is unclear. Additionally, we believe the guidance should clarify what is meant by the term *value*. Value could be construed very broadly to include items that would never give rise to recognition in the financial statements. Since the examples in the proposed ASU illustrate straightforward forms of value, such as dollars received or taxes abated, it is unclear whether the Board intended to capture other concepts of value.

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Accordingly, some of questions we believe the guidance should answer are

- How broadly should the term *value* be construed?
- Should an entity consider the cost it incurs to evaluate whether it has received any value?
- Does the term *value* represent a monetary benefit or would it also include non-monetary benefits such as
  - The entity's corporate social responsibility or community reinvestment goals
  - Lower borrowing costs provided by Federal Deposit Insurance Corporation (FDIC) deposit insurance
  - The economic benefit of protection from competition via the right to engage in a regulated industry
- If the entity passes on the value it receives to its customer or to the general public (such as lower interest rates enabled by government guarantees of debt, for example, loans guaranteed by the U.S. Department of Veteran Affairs), should it still consider that as value that it received and provide disclosures?

For example, a "government," as defined in the proposal, includes government-sponsored entities; therefore, entities such as Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac) are considered a government. It is unclear in the proposed ASU whether purchases of the loans and receivables by these government-sponsored entities from financial institutions for securitization would qualify as government assistance. If such purchases do constitute government assistance, several question arise, such as: What is the value that the financial institution receives from its contracts with government-sponsored entities? How should the financial institution account for the value that it passes on to the borrower in the form of lower interest rate?

FDIC, which would qualify as a government under the proposed definition, provides deposit insurance to depository institutions. Would purchase of deposit insurance by a depository institution qualify as government assistance under the proposal? It is also unclear whether the financial institutions receive a benefit from FDIC insurance. Some believe that financial institutions do not receive any benefit because if a financial institution fails, the FDIC insurance provides a benefit to the depositors. Others argue that financial institutions receive a benefit from FDIC insurance in the form of enhanced ability to attract deposits.

Measurement of government assistance

We believe that entities should not be required to disclose the amount of assistance received but not recognized directly in the financial statements. If the final guidance requires such disclosure to be made, we believe further guidance should be provided to clarify how government assistance received but not recognized in the financial statements should be

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measured. For example, how would a depository institution measure the value of the government assistance received through FDIC insurance, or how would a financial institution measure the value of government assistance received upon transferring loans and receivables to Fannie Mae or Freddie Mac? As further explained in our response below to question 6, we believe estimating the fair value of government assistance would require entities to incur significant costs, and therefore we believe that the Board should evaluate whether the requirement to provide such pro forma financial information would meet the cost-benefit consideration.

Our answers to the questions for respondents follow.

Question 1: Do you agree that the scope of the amendments in this proposed Update should be limited to legally enforceable agreements in which an entity or entities receive value from a government? Do you also agree that the scope of the proposed amendments should not apply to transactions in which the government is (a) legally required to provide a nondiscretionary level of assistance to an entity simply because the entity meets applicable eligibility requirements that are broadly available without specific agreement between the entity and the government or (b) solely a customer? If not, what other types of arrangements should be included in or excluded from the scope of the amendments in this proposed Update? Explain why.

As discussed above, we believe the scope of the guidance in the proposed ASU should be clarified. Further to our discussion above, we believe that the guidance on scope should also clarify the meaning of the word *nondiscretionary* in the context it is used in the proposed guidance. We believe that there may be certain government assistance programs for which it will be difficult to differentiate between *discretionary* and *nondiscretionary* assistance, considering governments are sovereign with both executive and legislative powers. If the Board's intent is to scope out all government assistance programs that do not require existence of a legally enforceable agreement between the government and the entity, then we believe that the words "a nondiscretionary level of" should be removed from the guidance in paragraph 832-10-15-4(a).

Question 2: Do you agree that the proposed disclosure requirements should be the same for both domestic assistance and foreign assistance? If not, please explain why and what proposed disclosure requirements you believe should differ. Are there any unique types of foreign assistance that should be considered? If so, explain why and be specific about any unique types of foreign assistance.

We agree that the disclosure requirements should be the same irrespective of whether the government assistance is received from a domestic government or a foreign government.

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Question 3: Do you agree that the scope of the proposed amendments should not exclude government assistance agreements that are within the scope of Topic 740, Income Taxes? If not, explain why.

We agree that the scope of disclosure requirements for government assistance should include all types of government assistance, including tax-related assistance. However, we believe that the Board should take into account existing disclosure requirements in Topic 740 before concluding that all government assistance should be within the scope of the proposed disclosures. Some of the current disclosure requirements, such as the requirement in paragraph 740-10-50-9 to separately disclose government grants (to the extent recognized as a reduction of income tax expense) and in paragraph 740-10-50-11 to disclose income tax expense compared to statutory expectations, may already provide adequate disclosure about certain government assistance received by the entity.

Question 4: Do you agree that the scope of the proposed amendments should exclude NFP entities? Alternatively, should any proposed disclosure requirement(s) be applied by NFP entities? If so, specify which proposed disclosure requirement(s) and explain why.

We recognize and have experienced that there is diversity in practice in the recognition of government grants by not-for-profit entities and appreciate the Board's addition of a project on revenue recognition of grants and contracts by not-for-profit entities to its research agenda. Therefore, we agree that not-for-profit entities should be scoped out of the proposed disclosure requirements.

Question 5: Are the proposed scope and disclosure requirements operable and auditable? Do your existing information sets and systems, internal controls, and so forth capture the information required to be disclosed by the proposed amendments? If not, which aspects of the scope or disclosures pose operability, auditability, and/or cost issues and why?

We do not believe that the proposed disclosure requirements are operable without the clarifications to the scope and the measurement requirements discussed above. We believe that in many instances these disclosures would require entities to incur costs for collecting data and developing procedures and controls around computing the value of the government assistance received that is not otherwise recognized in the financial statements. Such costs may be significantly higher for entities that have operations in multiple jurisdictions (both nationally and internationally). Further, we believe there will be challenges regarding auditability for a *value* that is not clearly defined in the legally enforceable agreement with the government. Value for items such as lowered borrowing costs, for instance, may be difficult to estimate and support.

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Question 6: Do you agree that an entity should be required to disclose, unless impracticable, the amount of government assistance received but not recognized directly in any financial statement line item? If not, explain why.

We disagree with the requirement to quantitatively disclose the amount of government assistance received but not recognized in the financial statements. We believe that determining the amount of the government assistance received but not recognized in the financial statements would pose a significant challenge in many instances, given that government assistance transactions may be unique and no comparable orderly transactions between market participants may exist. We acknowledge that the Board intended to reduce the cost of the quantitative disclosure by requiring quantitative disclosure only if it is practicable to estimate the value of government assistance. However, proving impracticability in practice is a considerably high threshold to meet. In recently issued ASU 2016-01, the Board decided to eliminate a similar impracticability exception from the guidance in Topic 825 regarding estimating the fair value of financial instruments. Therefore, we believe that a quantitative disclosure of the value of government assistance received should not be required.

Question 7: For preparers, are there any restrictions (legal or otherwise) that exist in government assistance agreements that would preclude an entity (for example, confidentiality or proprietary reasons) from disclosing the information required by the amendments in this proposed Update? If so, specify what those restrictions are, whether they relate to foreign or domestic assistance, and which proposed disclosures cause concern and why.

We defer to financial statement preparers to comment on whether there are any restrictions that exist in government assistance agreements that would preclude them from disclosing the information required by the amendments in the proposed ASU.

Question 8: For users, do you agree that the information required by the proposed amendments would improve transparency about government assistance agreements? Is the information required by the proposed amendments important for your analysis of an entity? If so, specify which disclosures and why. If not, identify the disclosures and explain why. Is there additional information that should be required to be disclosed in the notes to financial statements? If so, be specific.

We defer to financial statement users to comment on whether the information required by the proposed ASU would improve transparency about government assistance agreements.

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Question 9: The proposed amendments would not amend Topic 270, Interim Reporting, to add any specific interim disclosure requirements. Instead, required interim disclosures about government assistance would be limited to material changes occurring since the most recent annual period. Should the proposed amendments include additional interim disclosure requirements? If so, what disclosures do you think should be added and why?

We agree that the disclosures about government assistance in interim periods should be limited to material changes occurring since the most recent annual period.

Question 10: Do you agree that the amendments in this proposed Update should be applied to all agreements (a) existing at the effective date and (b) entered into after the effective date with retrospective application permitted? If not, explain why.

We agree that the disclosure requirements should be applied to all agreements that exist at the effective date and to those entered into after the effective date. We further agree that retrospective application should be permitted.

Question 11: The proposed amendments would apply to both public business entities and nonpublic business entities (private companies). Should the proposed amendments be different for nonpublic business entities? If so, describe why and how you think they should be different.

We agree that the disclosure requirements should apply to both public business entities and nonpublic business entities (private companies).

Question 12: How much time would preparers need to implement the proposed amendments? Should the amount of time needed to implement the proposed amendments by entities that are not public business entities be different from the amount of time needed by public business entities?

We defer to financial statement preparers to comment on the time needed to implement the amendments in the proposed ASU.

We generally believe that entities that are not public business entities benefit from a later effective date because they learn from the experience of public business entities that adopt earlier. Entities that are not public business entities as a whole often have fewer personnel and financial resources than public business entities. However, we believe that entities that are not public business entities should have an option to adopt the final guidance when it is available for adoption by public business entities.

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We would be pleased to discuss our comments with you. If you have any questions, please contact Rahul Gupta, Partner, (312) 602-8084, rahul.gupta@us.gt.com or Graham Dyer, Senior Manager, (214) 561-2385, graham.dyer@us.gt.com.

Sincerely,

/s/ Grant Thornton LLP