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October 20, 2016

Technical Director  
Financial Accounting Standards Board  
401 Merritt 7, PO Box 5116  
Norwalk, CT 06856-5116

Dear Ms. Cosper:

File Reference No. 2016-290

The Financial Reporting Executive Committee (FinREC) of the American Institute of Certified Public Accountants appreciates the opportunity to provide input on the FASB's August 4, 2016, Invitation to Comment *Agenda Consultation*. FinREC believes that the FASB's survey outreach on its agenda was productive.

FinREC believes all of the issues described in the ITC have the potential for significant targeted improvements. We also believe that the pre-agenda research will be critical to help the Board determine what is achievable in a reasonable time frame. Our comments on the specific topical areas follow.

### **Distinguishing Liabilities from Equity**

A majority of FinREC believes that the area of distinguishing liabilities from equity should be the Board's highest priority among the identified areas. A majority of FinREC also believes that a project on distinguishing liabilities from equity should include a fundamental reexamination of the current model with the goal of developing a principle that would apply broadly to all such decisions. A significant minority (five members) of FinREC believes, however, that the Board should not undertake a fundamental reexamination of the current model before the new standards on revenue recognition, financial instruments, and leases have been implemented because the Board may receive insufficient input on such new projects while the financial reporting system engages on those new standards. (In fact, many FinREC members shared the concern about overwhelming the system.) Some of the minority view members also note that the Board has proposed changes to the liabilities and equity model before and that those proposals did not result in wide acceptance or a new principle adopted by the Board. Those members believe that the Board instead should consider more targeted improvements in this area. For example, the Board could make improvements in the area of convertible debt, beneficial conversion features, and the aspects of the guidance that base the accounting on potentially remote possibilities.

## Performance Reporting

We believe the FASB should continue its research project on performance reporting. An understanding of how investors use the performance statement, including their use of net income and comprehensive income, and classification of particular line items within the performance statement will be important as the Board advances its research. Diversity in practice could be reduced by providing guidance on the appropriate captions to be included and consistency in the format of the performance statement. That said, we would encourage the Board to work closely with the staff of the U.S. Securities and Exchange Commission on any proposed changes given existing requirements in Regulation S-X on structure and format of the performance statement.

As part of its research project, we encourage the Board to seek input on the recognition and presentation for components of other comprehensive income. We note that the Board stated in its August 11, 2016, exposure draft, *Concepts Statement 8—Conceptual Framework for Financial Reporting—Chapter 7: Presentation*, that “There is no conceptual basis for determining which items qualify for [other comprehensive income versus net income] treatment.” A majority of FinREC believes, however, that there is a need for further guidance on the topic of other comprehensive income because other matters the Board is considering involve that topic and there is currently not a clear delineation of it in the accounting literature. Furthermore, the Board should also seek to learn how users would use additional disclosures about what is contained in which line items of the performance report.

## Other Targeted Improvements

FinREC believes the Board should focus on targeted improvements in the area of pensions. For example, improvements could be made to accounting for cash balance plans and hybrid plans.

FinREC appreciates that FASB is exploring other areas of GAAP that need improvement, such as accounting for collaborative arrangements, and encourages the Board to remain mindful of those opportunities for improvement.

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We appreciate the opportunity to provide input on the Agenda Consultation. We are available to discuss our comments with Board members or staff at their convenience.

Sincerely,

James A. Dolinar  
Chairman  
Financial Reporting Executive Committee