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October 1, 2020

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

Via e-mail – **director@fasb.org**

Re: File Reference No. 2020-200. Proposed Accounting Standards Update: Compensation – Stock Compensation (Topic 718: Determining the Current Price of an Underlying Share for Equity-Classified Share-Option Awards (a proposal of the Private Company Council)

Plante & Moran, PLLC is pleased to offer comments on the above referenced Exposure Draft. We support the efforts of the Financial Accounting Standards Board ("Board") and the Private Company Council ("PCC") to ease the burden on private companies in accounting for share-based payment arrangements in the scope of Topic 718. In our experience, many private companies utilize share-based payment arrangements to align the interests of key employees with shareholders. For equity-classified share-option awards, determining the current share price is often one of the most challenging and costly inputs for private companies to obtain and support. We believe the practical expedient in this proposed Update would reduce the burden on private companies when accounting for these awards.

We would also encourage the FASB and PCC to continue performing outreach to determine if there are other potential simplifications for share-based payment arrangements, other than share-option awards, that would reduce costs for preparers while still providing decision useful information for financial statements users. In our experience, equity awards granted by limited liability companies ("LLCs") and similar entities, in particular profits interests, create the most challenges for entities and auditors. The terms of these arrangements are less uniform than the terms of other types of share-based payment arrangements, such as share-options, restricted shares, or share appreciation rights, which results in significant challenges in valuing and accounting for these awards. We would encourage the FASB and PCC to continue to perform outreach to determine if there are ways to reduce the costs of accounting for these arrangements while continuing to provide financial statement users with decision relevant information.

Following, please find our responses to the specific Questions for Respondents in the proposed Update.

Question 1: Is the practical expedient as drafted in this proposed Update operable? If not, please explain why.

Response 1: Yes, we believe the practical expedient as drafted in the proposed Update is operable. In practice, many entities obtain a valuation under Section 409A of the IRC and then use this price as a starting point for determining the fair value of the underlying share for financial reporting purposes. Consideration is given to any known events since the date of that valuation and potential differences between valuations methodologies for tax and financial reporting purposes that would indicate a need to change the underlying share price. Allowing entities to use of the 409A valuation without adjustment would result in a simpler process that what is used currently.

Question 2: The practical expedient in this proposed Update is applicable only for equity-classified share-option awards. Should the scope of the practical expedient in this proposed Update be expanded to include other equity-classified share-based compensation arrangements (for example, nonvested shares)? Please explain why or why not.

Response 2: We agree with the scope of the proposed Update. We do not believe this practical expedient should be expanded to other types of equity-classified share-based compensation arrangements because of the simple nature of share-option awards. The likelihood that use of a 409A valuation for other more complex share-based compensation arrangements increases the likelihood that the results will deviate unacceptably from the fair value requirement in Topic 718. However, we would encourage the FASB and PCC to perform outreach to assess whether there may be practical expedients for other types share-based payment arrangements that would decrease costs while continuing to provide financial statement users with decision useful information.

Question 3: Will the proposed practical expedient reduce costs, including audit costs or fees, associated with the current price input? Please explain why or why not.

Response 3: Yes, we agree the practical expedient will allow for reduced costs, especially when entities obtain separate valuations for tax and financial reporting purposes. However, in situations, where a separate valuation is not obtained for financial reporting purposes, the cost savings may not be significant.

Question 4: Do you or your clients obtain separate valuations to satisfy GAAP requirements (Topic 718) and tax regulations (Section 409A)?

Response 4: In our experience most entities do not obtain separate valuations to satisfy GAAP requirements and tax regulations.

Question 5: Do you agree with allowing the proposed practical expedient to be elected on an award-by-award basis?

Response 5: Yes, we agree the proposed practical expedient should be elected on an award-by-award basis.

Question 6: Will the proposed practical expedient compromise the decision usefulness of information related to equity-classified share-option awards? If yes, please explain how.

Response 6: We do not believe the proposed practical expedient would compromise the decision usefulness of information related to equity classified share-based option awards.

Question 7: Do you agree with the proposed prospective transition requirements? If not, please explain why.

Response 7: Yes, we agree with the proposed prospective transition requirements.

Thank you again for the opportunity to comment on this exposure draft. We would be pleased to respond to any questions the Board or its staff may have about these comments. Please direct any questions to David Grubb at **david.grubb@plantemoran.com** or at (248) 223-3745 or Curt Hurd **at curt.hurd@plantemoran.com** or at (248) 223-3946.

Very truly yours,

PLANTE & MORAN, PLLC

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