



**CONSTRUCTION FINANCIAL MANAGEMENT ASSOCIATION**  
*The Source & Resource for Construction Financial Excellence*

March 13, 2012

Technical Director  
File Reference No. 2011-230  
FASB  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856-5116

Via e-mail

Re: Proposed Accounting Standards Update, Revenue Recognition (Topic 605): Revenue from Contracts with Customers

Dear Financial Accounting Standards Board:

CFMA is "The Source & Resource for Construction Financial Professionals" and the only nonprofit organization dedicated to serving the construction financial professional. Headquartered in Princeton, NJ, CFMA currently has nearly 6,700 members in 87 chapters throughout the U.S.

Established in 1981, CFMA's General Members represent all types of contractors, as well as developers, construction managers, architects, engineers, principals and material and equipment suppliers. Associate Members include the accounting, insurance, surety, software, legal and banking specialists who serve the construction industry.

CFMA undertook a broad, deliberative process to formulate comprehensive comments on Topic 605, seeking input within and outside of its membership. To that end, CFMA invited the National Association of Surety Bond Producers (NASBP), a national trade organization of firms employing licensed surety bond producers, to establish a liaison with our committee formulating comments and share the perspectives of bond producers who comprise a significant set of consumers and end users of construction company financial data. NASBP perspectives and input are represented within our written comments. Questions of NASBP may be directed to Mark H. McCallum, CEO, 1140 19<sup>th</sup> Street, NW, Suite 800, Washington, DC 20036. CFMA wishes to acknowledge its appreciation to NASBP, and especially to its liaison representative, Darrin Weber, CPA, CIC, of IMA, Inc., Dallas, TX, for assistance with these comments.

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CFMA is pleased to take this opportunity to comment on the Proposed Accounting Standards Update, Revenue Recognition (Topic 605): Revenue from Contracts with Customers. Prior to addressing the actual terms of the Exposure Draft, we wish to frame our comments within the broader project in which CFMA has been active for more than three years.

CFMA has been involved in this project since the issuance of the 2008 Discussion Paper on this topic because of the profound impact which this proposed standard will have on the construction industry. Throughout this three-plus year period, we have remained engaged in this project's progression and sought to understand FASB's objectives and provide well-reasoned and thoughtful feedback after extensive outreach, not just with our own members, but with other members of the construction industry as well.

A few examples of CFMA's involvement include:

- Participation in public roundtables subsequent to the issuance of the original Discussion Paper, as well as in the roundtable subsequent to the issuance of the original Exposure Draft.
- Conducting numerous educational Webinars on this topic for the benefit of CFMA members, with at least one of those Webinars including the then FASB Staff Project Leader.
- CFMA member-led Webinars/audiocasts for both Associated Builders & Contractors of America and National Association of Surety Bond Producers.
- Presentations at national conferences to further enhance the understanding of our constituents.
- Submission of comment letters for both the Discussion Paper and original Exposure Draft.

We would like to express our appreciation for the following improvements included in this Exposure Draft:

- Ability to bundle promised goods or services which are highly interrelated and where the goods or services are significantly modified or customized to fulfill the contract when it comes to the identification of performance obligations (*paragraph 29*).
- Clarity provided around the transfer of control of a good or service over time (*paragraphs 35 and 36*).
- Elimination of an implied preference for output methods over input methods in measuring progress towards satisfaction of a performance obligation (*paragraph 40*).
- Inclusion of a "most likely amount" method in estimating variable consideration (*paragraph 55*).
- Ability to capitalize certain incremental costs of obtaining a contract which are expected to be recovered (*paragraphs 94 and 95*).
- Relief from a number of disclosure requirements for non-public entities.

Each of the above combines to provide for significant improvements for the construction industry when compared to the original Exposure Draft. As such, when weighing the comments from other respondents in other industries, we request that FASB consider the significance of these provisions to our industry.

The remainder of our response is formatted to comprehensively address specific matters within the Exposure Draft; however, our comments are not limited to the questions included in the Exposure Draft. Our intent is to comment expansively on the perceived strengths and

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weaknesses of the Exposure Draft in order to provide the appropriate feedback on the impact of the proposed changes to revenue recognition as they relate to the construction industry. After we provide our comprehensive comments, we will then address the questions presented in the Exposure Draft.

#### FEEDBACK ON IMPACT OF PROPOSED CHANGES IN EXPOSURE DRAFT

##### ***Contract Modifications (paragraphs 18 and 19)***

CFMA interprets that legitimate claims will meet the definition of a contract modification in Paragraph 18, and CFMA wholeheartedly endorses an approach in the standard where claims continue to be **eligible to be considered** for recognition even where the claim is being actively disputed by the customer. However, our concern lies with the timing of recognition of the claim revenue given possible (mis)interpretation of the "reasonably assured" constraint. We believe that ASC 605-35-25-30 & 31 "got it right" in setting a very high standard for timing of recognition of claim revenue where claim revenue may be recognized up to costs incurred, even before all uncertainty regarding the claim has been resolved, but after a clear preponderance of evidence has been gathered which demonstrates strong support for the claim itself.

As a result, CFMA recommends adding additional criteria to the Board's existing Paragraph 82, which provides a number of indicators around when revenue is reasonably assured of being received and recognizes that not all variable consideration has the same characteristics and, therefore, differential standards for recognition may be appropriate, given the underlying characteristics of the different types of variable consideration. As implied above, we believe that ASC 305-35 does an excellent job of identifying the attributes of different types of variable consideration, as well as the thresholds that must be met in order to recognize the different types of variable consideration (*see page 10 for response to Question 3*).

##### ***Satisfaction of Performance Obligations (paragraph 38)***

CFMA does not have any specific objections to the directions related to measuring progress and recognizing revenue over time as a performance obligation satisfied. However, there is some concern that the vague nature of this direction may leave much to interpretation. Does a construction contractor, in reading this guidance, assume that all is well because it "sounds like" the percentage of completion method of revenue recognition as we currently know it?

Although there is guidance offered through reference to examples, this paragraph may still need to be more specific in its guidance. Significant guidance in how to compute percentage of completion will be lost when ASC 605-35 is repealed. Accordingly, we recommend that FASB consider incorporating guidance from ASC 605-35 into the final standard on revenue recognition.

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***Output Methods  
(paragraph 42)***

CFMA does not believe it is the intent of FASB to provide guidance to the construction industry with this paragraph. However, many of our subcontractor companies provide service as a significant portion of their revenue stream. This guidance appears to be adequate to meet the needs of those constituents in recognizing service revenue.

***Input Methods  
(paragraphs 45 and 46)***

While indicating the cost of wasted labor, material and other types of performance costs, Paragraph 45 does not take into consideration the reality of the construction industry and how projects are proposed, bid, completed and billed. Almost all construction projects begin as an estimate of costs. Costs may or may not consist of labor, equipment, material, subcontractors, outside services, consumables (supplies), temporary facilities and many other items. All costs are related. The key point is that almost all related costs are estimates; estimates plus overhead and profit comprise a contract amount. During the course of the project, conditions and/or the "scope of work" often change on a daily basis; therefore estimates of costs and the contract amount will also change, but they will also still be estimates. In working with estimates, everything going into the cost of the project becomes part of the project and is eventually transferred to the owner.

For the construction industry, the "shortcoming of input methods" theory embraced by this paragraph becomes irrelevant. All contract activities are expensed to the project and have a direct relationship to the owner. Moreover, there is a self-correcting attribute included in the percentage-of-completion calculation, helping to ensure that revenue is not over-reported, as increased costs affect both the numerator and denominator in cost-to-cost calculations.

Relative to Paragraph 46, it is common practice in the construction industry to bill an owner of a project for "progress completed" and for "materials delivered" to the job site on a periodic basis, usually monthly. These quantities may be measured using various methods, but all methods result in a progress billing, which includes an amount for overhead and profit. This amount is usually a percentage that has been added to the project by way of the original estimate that was presented to the owner during contract negotiations. Construction bidding software allows many ways of adding in overhead and profit amounts, but the most common method is a percentage spread over all the items contained within the original estimate. Using this method, revenue is recognized based on costs incurred as the project is completed. To "break out" events that may occur, such as a large delivery of material, over the course of the project and to recognize the revenue on these events as equal to the cost of the event excluding the overhead and profit, will significantly skew the recognition of revenue and create significant accounting challenges. Construction companies need to be allowed to bundle these events with the progress of the other activities on the project for the billing period and recognize the revenue accordingly.

***Reasonable Measures of Progress  
(paragraph 47 and 48)***

We would like to call FASB's attention to our concern that, in introducing the concept of "reasonably measure the outcome of a performance obligation", the Board may be inadvertently

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opening the door to potential abuse. Using such broad and vague language could, at a minimum, lead to significantly differing interpretations even by well-intentioned issuers of financial statements. Depending upon how a contractor chooses to apply this provision, the result could be a difference in the application of percent complete as we currently know it, resulting in the deferral of gross profit until perhaps sometimes very late in the project when the "reasonably measure" standard is met. Further, we believe it is doubtful that the IRS will allow this method for tax reporting purposes.

***Time Value of Money  
(paragraphs 58 through 62)***

CFMA's overwhelming preference is for the language of Paragraph 60 to be revised to permit a practical expedient that is not limited simply to one year or less, but instead to be "within the Company's normal operating cycle." We believe that this expedient will clearly eliminate the need to consider financing elements related to over or under billings which are ever present in the construction industry.

Absent relief under a provision like this, we strongly believe that a practical expedient needs to exist for measuring the time value of money at the net contract position should the industry be compelled to comply with this standard. For example, at all times during the completion of a contract, there are accounts receivable, retainages receivable and under or over billings. For each particular contract, there are many highly interrelated balance sheet elements. Looking at only one particular balance sheet element could result in an erroneous application of the true economics of a time value of money concept.

We also call FASB's attention to the illustration of Example 9 where EBITDA is increased with no corresponding increase in cash flows. We believe this is inappropriate and underscores the challenges of the operability of this concept.

***Collectability  
(paragraph 69)***

CFMA agrees with the presentation of any impairment of the receivable (or change in the measurement of an impairment) in profit or loss as a separate line item adjacent to the revenue item. We believe that most revisions to the receivable amount will be reflected in revenue as revisions to the contract price. However, for amounts deemed comparable to bad debt where the receivable is impaired without renegotiation of the contract price, presentation of this impairment as a contra revenue account is appropriate.

We believe this would take the bad debt expense created from a provision for doubtful accounts from a general and administrative expense to a reduction of revenue, therefore providing a more meaningful presentation of revenue to the users of the financial statements.

We wish to clarify that a reserve for uncollectible accounts would be presented as a contra revenue account and that contract adjustments would be included in revenue.

***Constraining the Cumulative Amount of Revenue Recognized  
(paragraphs 81 and 82)***

*81. If the amount of consideration to which an entity expects to be entitled is variable, the cumulative amount of revenue the entity recognizes to date shall not exceed the amount to which the entity is **reasonably assured** (emphasis supplied) to be entitled. An entity is **reasonably assured** (emphasis supplied) to be entitled to the amount of consideration allocated to satisfied performance obligations only if both of the following criteria are met:*

- (a) The entity has experience with similar types of performance obligations (or has other evidence such as access to the experience of other entities).*
- (b) The entity's experience (or other evidence) is predictive of the amount of consideration to which the entity will be entitled in exchange for satisfying those performance obligations.*

We agree that the amount of revenue that an entity recognizes for satisfied performance obligations should not exceed the amount to which the entity is reasonably assured to be entitled. Claims, or amounts in excess of, or not included in, the agreed contract price that an entity seeks to collect from others, present a unique recognition challenge for many contracts, including those in the engineering and construction industries. We are concerned with how "reasonably assured" might be applied in practice and believe that it may be interpreted to allow for the recognition of claim revenue earlier than the Board may have anticipated.

We also feel that the term "reasonably assured" should be clarified. Many readers of the standard interpret this to be a quantitative concept and are struggling to ascertain whether it is a higher or lower threshold than "probable." Others interpret this as a qualitative concept, yet still lack confidence in the application of this concept to actual situations despite the guidance provided in Paragraph 82, as many types of variable consideration have previously been constrained quantitatively. Successfully shifting to a qualitative standard will require more guidance than has been provided in the standard.

*82. Indicators that an entity's experience (or other evidence) is not predictive of the amount of consideration to which the entity will be entitled include, but are not limited to, the following:*

- (a) The amount of consideration is **highly susceptible** (emphasis supplied) to factors outside the entity's influence. Those factors include volatility in a market, the judgment of third parties, weather conditions, and a high risk of obsolescence of the promised good or service.*
- (b) The uncertainty about the amount of consideration is not expected to be resolved for a **long period of time** (emphasis supplied).*
- (c) The entity's experience (or other evidence) with similar types of performance obligations is limited.*
- (d) The contract has a large number and broad range of possible consideration amounts.*

While we agree with the indicators in Paragraph 82 that identify when an entity's experience might not be predictive, we believe that claims should have to meet the very high standards which are currently imposed by ASC 605-35-25-30 & 31, with an express statement that, in most cases, a claim cannot be recognized until it has been received or awarded. This additional verbiage serves to ensure claim revenue is recognized when reasonably assured.

Also of concern, (a) above contains the term “highly susceptible” but we are unclear on the term’s meaning. Also, (b) above mentions “a long period of time” but we are unclear on how that term is defined. Should these terms remain in the final standard, the Board should more fully articulate and better define the intent of these terms.

***Onerous Performance Obligations  
(paragraph 86)***

We believe that onerous contracts of less than one year should not be excluded as, otherwise, a loss may never have to be accrued. Therefore, we believe that the users of financial statements would benefit most if the loss on a performance obligation was recognized as soon as it becomes known and not only when the satisfaction period of time is greater than one year.

***Contract Costs  
(paragraphs 91 through 93)***

**91.** *If the costs incurred in fulfilling a contract with a customer are in the scope of another Topic (for example, Topic 330 on inventory, Topic 360 on property, plant, and equipment, or Topic 985 on software), an entity shall account for those costs in accordance with those other Topics. Otherwise, an entity shall recognize an asset from the costs to fulfill a contract only if those costs meet all of the following criteria:*

- (a) The costs relate directly to a contract (or a specific anticipated contract).*
- (b) The costs generate or enhance resources of the entity that will be used in satisfying performance obligations in the future.*
- (c) The costs are expected to be recovered.*

**92.** *Costs that relate directly to a contract (or a specific anticipated contract) include the following:*

- (a) Direct labor (for example, salaries and wages of employees who provide services directly to the customer).*
- (b) Direct materials (for example, supplies used in providing services to the customer).*
- (c) Allocations of costs that relate directly to the contract or to contract activities (for example, costs of contract management and supervision, insurance, and depreciation of tools and equipment used in fulfilling the contract).*
- (d) Costs that are explicitly chargeable to the customer under the contract.*
- (e) Other costs that are incurred only because the entity entered into the contract (for example, payments to subcontractors).*

**93.** *An entity shall recognize the following costs as expenses when incurred:*

- (a) General and administrative costs (unless those costs are explicitly chargeable to the customer under the contract, in which case an entity shall evaluate those costs in accordance with the criteria in Paragraph 91).*
- (b) Costs of wasted materials, labor, or other resources to fulfill the contract that were not reflected in the price of the contract.*
- (c) Costs that relate to satisfied performance obligations (or partially satisfied performance obligations) in the contract (that is, costs that relate to past performance).*
- (d) Costs that relate to remaining performance obligations but that the entity cannot distinguish from costs that relate to satisfied performance obligations.*

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Paragraph 93 states certain other costs, including general and administrative costs related to satisfied performance obligations and costs related to remaining performance obligations that the entity can't distinguish from costs that relate to the performance obligation, are treated as expenses.

Except for item (b) in Paragraph 93, we believe the definitions line up with the current standard ASC 605-35 Paragraphs 25-34 through 25-37. With respect to Paragraph 93(b), we refer to our previous comments on input methods/Paragraph 45 (*see page 4*). In light of the comments expressed above, we recommend this language be deleted from the final standard.

We also believe Paragraphs 94 through 97 in the Revenue Recognition Project line up with the pre-contract costs of ASC 605-35, Paragraphs 25-39 through 25-41 in treatment of costs.

The potential for confusion is found in the treatment of certain pre-contract costs (including mobilization), which are addressed in Paragraphs 98 and 99. We believe that the paragraphs related to amortization should be removed, as Paragraph 93(c) covers the recognition of these costs in a manner similar to current accounting standards. Removing the amortization language in Paragraphs 98 and 99 will help clarify the treatment of pre-contract costs (including mobilization).

### ***Disclosures***

Nonpublic entities will be required to disclose disaggregated revenue based upon the timing of transfer (Paragraph 116). CFMA recommends that Paragraph 116 be included in the Paragraph 130 election.

### ***Effective Date and Transition***

CFMA acknowledges that significant training, system enhancements and planning will be necessary to implement the proposed standards, imposing a disproportionate burden on small businesses (*i.e.*, a majority of CFMA members). If we are to assume that the final standard is to be published by the end of 2012, we would support an implementation no sooner than 2015 for public entities and 2016 for nonpublic entities.

Because of the significance of anticipated costs of compliance to CFMA members, we formally request that, from a cost/benefit perspective, nonpublic entities should be required to only apply the new revenue recognition on a prospective basis for new performance obligations entered into after the effective date.

### **QUESTIONS PRESENTED IN EXPOSURE DRAFT**

**Question 1:** Paragraphs 35 and 36 specify when an entity transfers control of a good or service over time and, hence, when an entity satisfies a performance obligation and recognizes revenue over time. Do you agree with that proposal? If not, what alternative do you recommend for determining when a good or service is transferred over time and why?



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Paragraph 35 states *An entity transfers control of a good or service over time and, hence, satisfies a performance obligation and recognizes revenue over time if at least one of the following are met:*

- *The entity's performance creates or enhances an asset (for example, work in process) that the customer controls as the asset is created or enhanced. An entity shall apply the proposed guidance on control in Paragraphs 31-33 and Paragraph 37 to determine whether the customer controls an asset as it is created or enhanced.*

In almost all situations it appears that most construction contracts would qualify, as the customer normally controls the asset. If control is not present then it would seem reasonable that recognition of revenue over time would be limited.

- *The entity's performance does not create an asset with an alternative use to the entity (Paragraph 36) and at least one of three criteria are met:*
  - *Customer simultaneously receives and consumes the benefits of the entity's performance as the entity performs.*
  - *Another entity would not need to substantially re-perform the work the entity has completed to date if that other entity were to perform the remaining obligation to the customer.*
  - *The entity has the right to payment for performance or completion to date and it expects to fulfill the contract as promised.*

These do not seem out of line with the nature of contract accounting as it exists today and would allow for recognition of revenue as work progresses.

Paragraph 36, in evaluating whether an asset has an alternative use to the entity, includes the following:

*A promised asset would not have an alternative use to the entity if the entity is unable to, either contractually or practically, readily direct the asset to another customer. For example, an asset would have an alternative use to an entity if the asset is largely interchangeable with other assets the entity could transfer to the customer without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. Conversely, the asset would not have an alternative use if the contract has substantive terms that preclude the entity from directing the asset to another customer or if the entity would incur significant costs to direct the asset to another customer.*

This seems to work well for contracts under which most contractors are working.

**Question 2:** Paragraphs 68 and 69 state that an entity would apply Topic 310 (or IFRS 9, if applicable) to account for amounts of promised consideration that the entity assesses to be uncollectible because of a customer's credit risk. The corresponding amounts in profit or loss would be presented as a separate line item adjacent to the revenue line item. Do you agree with those proposals? If not, what alternative do you recommend to account for the effects of a customer's credit risk and why?

CFMA agrees with presenting the amount assessed as being uncollectible as a separate line item adjacent to the revenue line item.

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**Question 3:** Paragraph 81 states that if the amount of consideration to which an entity will be entitled is variable, the cumulative amount of revenue the entity recognizes to date should not exceed the amount to which the entity is reasonably assured to be entitled. An entity is reasonably assured to be entitled to the amount allocated to satisfied performance obligations only if the entity has experience with similar performance obligations and that experience is predictive of the amount of consideration to which the entity will be entitled. Paragraph 82 lists indicators of when an entity's experience may not be predictive of the amount of consideration to which the entity will be entitled in exchange for satisfying those performance obligations. Do you agree with the proposed constraint on the amount of revenue that an entity would recognize for satisfied performance obligations? If not, what alternative constraint do you recommend and why?

CFMA agrees that the amount of revenue that an entity recognizes for satisfied performance obligations should not exceed the amount to which the entity is reasonably assured to be entitled. Claims, or amounts in excess of, or not included in, the agreed contract price that an entity seeks to collect from others, present a unique recognition challenge for many contracts, including those in the engineering and construction industry. We are concerned with how "reasonably assured" might be applied in practice and believe that it may be interpreted to allow for the recognition of claim revenue earlier than the Board may have anticipated.

While we agree with the indicators in Paragraph 82 that identify when an entity's experience might not be predictive, we believe that adding new language after Paragraph 82 will ensure claim revenue is only recognized once reasonably assured.

82. *Indicators that an entity's experience (or other evidence) is not predictive of the amount of consideration to which the entity will be entitled include, but are not limited to, the following:*

- (a) The amount of consideration is **highly susceptible** (emphasis supplied) to factors outside the entity's influence. Those factors include volatility in a market, the judgment of third parties, weather conditions, and a high risk of obsolescence of the promised good or service.*
- (b) The uncertainty about the amount of consideration is not expected to be resolved for **a long period of time** (emphasis supplied).*
- (c) The entity's experience (or other evidence) with similar types of performance obligations is limited.*
- (d) The contract has a large number and broad range of possible consideration amounts.*

*Generally, claim revenue is not reasonably assured until the claim has been settled and the related consideration has been received or awarded. However, in certain unique circumstances, an entity may be able to demonstrate that the claim is reasonably assured if, and only if, all of the following criteria exist and have been met:*

- (a) The entity has obtained a legal opinion stating a reasonable basis of support for the claim.*
- (b) Costs incurred were caused by unforeseen circumstances and not the result of deficiencies in the contractor's performance.*
- (c) Costs associated with the claim are identifiable and reasonable.*
- (d) Evidence supporting the claim is objective and verifiable and not based on management's opinion or on unsupported representations.*

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*In those cases, claim revenue should only be recorded equal to the direct costs incurred relating to satisfying the performance obligation associated with the claim.*

Again, we agree with the proposed constraint on the amount of revenue listed, yet neither 605-35-25-57 is included nor does it address options to overcome Paragraph 82 regarding those circumstances when a contractor's experience may not be predictive of the amount of consideration to which the contractor will be entitled. There is no mention of considering the completed contract method, the percentage-of-completion method based on a range of gross profit or zero gross profit as long as there is an assurance that no loss will be incurred on the contract.

Also of concern, (a) above contains the term "highly susceptible" but we are unclear on the term's meaning. Also, (b) above mentions "a long period of time" but we are unclear on how that term is defined.

**Question 4:** For a performance obligation that an entity satisfies over time and expects at contract inception to satisfy over a period of time greater than one year, Paragraph 86 states that the entity should recognize a liability and a corresponding expense if the performance obligation is onerous. Do you agree with the proposed scope of the onerous test? If not, what alternative scope do you recommend and why?

We do not agree with the proposed scope of the onerous (loss) test. The proposed scope exception for any loss contract only being recognized if the entity expects at contract inception to satisfy over a period of time greater than one year does not agree with current practice in the industry and seems illogical to many contractors. Rather, it should be as stated in 605-35-25-45 through 47. For a contract on which a loss is anticipated, GAAP should require recognition of the entire anticipated loss as soon as the loss becomes evident. Provisions for a loss should be made in the period in which they become evident.

**Question 5:** The Boards propose to amend Topic 270 and IAS 34 to specify the disclosures about revenue and contracts with customers that an entity should include in its interim financial statements. The disclosures that would be required (if material) are:

- 1) The disaggregation of revenue (Paragraphs 114–116).
- 2) A tabular reconciliation of the movements in the aggregate balance of contract assets and contract liabilities for the current reporting period (Paragraph 117).
- 3) An analysis of the entity's remaining performance obligations (Paragraphs 119–121).
- 4) Information on onerous performance obligations and a tabular reconciliation of the movements in the corresponding onerous liability for the current reporting period (Paragraphs 122 and 123).
- 5) A tabular reconciliation of the movements of the assets recognized from the costs to obtain or fulfill a contract with a customer (Paragraph 128).

Do you agree that an entity should be required to provide each of those disclosures in its interim financial statements? In your response, please comment on whether those proposed disclosures achieve an appropriate balance between the benefits to users of having that information and the costs to entities to prepare and audit that information. If you think that the proposed disclosures do not appropriately balance those benefits and costs, please identify the disclosures that an entity should be required to include in its interim financial statements.

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CFMA has chosen to not respond given this question's orientation towards public companies. While CFMA has a few public company members, it is a relatively small percentage of our membership. We anticipate that those in the public company sector are likely to make their concerns known on this matter through other means.

**Question 6:** For the transfer of a nonfinancial asset that is not an output of an entity's ordinary activities (for example, property, plant, and equipment within the scope of Topic 360, IAS 16, or IAS 40), the Boards propose amending other standards to require that an entity apply (a) the proposed guidance on control to determine when to derecognize the asset and (b) the proposed measurement guidance to determine the amount of gain or loss to recognize upon derecognition of the asset. Do you agree that an entity should apply the proposed control and measurement guidance to account for the transfer of nonfinancial assets that are not an output of an entity's ordinary activities? If not, what alternative do you recommend and why?

We believe that any proposed action on this topic should be subjected to a separate due process and, as such, we believe it is clearly outside the scope of this proposed standard. Accordingly, we are not prepared at this time to comment.

In closing, we respect FASB's commitment to providing high-quality, operational financial reporting standards for financial statement issuers and users. The due process afforded to those, such as CFMA, wishing to comment on standards affecting our constituency is an important and valuable part of this process. Again, we are grateful for your efforts and welcome the opportunity to meet with FASB to further discuss these concerns.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stuart Binstock". The signature is fluid and cursive, with the first name being more prominent.

Stuart Binstock  
CFMA President & CEO