December 8, 2015

Ms. Susan M. Cosper
Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

By e-mail: director@fasb.org

Re: Proposed Accounting Standards Update—*Notes to Financial Statements (Topic 235): Assessing Whether Disclosures Are Material*

(File Reference No. 2015-310)

Dear Ms. Cosper:

The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 28,000 CPAs in public practice, business, government and education, welcomes the opportunity to comment on the above captioned exposure draft.

The NYSSCPA's Financial Accounting Standards Committee deliberated the proposed accounting standards update and prepared the attached comments. If you would like additional discussion with us, please contact Craig T. Goodman, Chair of the Financial Accounting Standards Committee at (212) 303-1058, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,
N Y S S C P A
N Y S S C P A
Joseph M. Falbo, Jr.
President

Attachment

NEW YORK STATE SOCIETY OF

CERTIFIED PUBLIC ACCOUNTANTS

COMMENTS ON

PROPOSED ACCOUNTING STANDARDS UPDATE—*NOTES TO FINANCIAL STATEMENTS (TOPIC 235): ASSESSING WHETHER DISCLOSURES ARE MATERIAL*

(File Reference No. 2015-310)

December 8, 2015

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NYSSCPA 2015 – 2016 Financial Accounting Standards Committee

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Comments on

Proposed Accounting Standards Update—*Notes to Financial Statements (Topic 235): Assessing Whether Disclosures Are Material*

(File Reference No. 2015-310)

General Comments

We welcome the opportunity to respond to the Financial Accounting Standards Board's (FASB or the Board) invitation to comment on the Proposed Accounting Standards Update (ASU), *Notes to Financial Statements (Topic 235): Assessing Whether Disclosures Are Material* (Proposed Update).

We are pleased to see that the FASB has taken action to try to improve the effectiveness of disclosures in the notes to financial statements. The previous concepts created a significant amount of disclosure that perhaps has little if any impact on the decision making of a reasonable stakeholder, with excessive disclosures providing an avenue for significant information to become lost.

Overall we believe the amendments could be beneficial; and we fully support any efforts the Board may embark on to improve the decision-usefulness of financial statements, however we believe that time and cost will be the ultimate deciding factors as to the effects of the proposal. The prospective process within Topic 235 will likely become more costly and complex due to a need for added judgment and to continuing modifications to address multiple and varying legal definitions. Exercising judgment on an individual disclosure basis will be required along with determinations of whether the financial statements taken as a whole have effectively communicated "material" information, circumstances that will create an extended process. Such an extended process will likely involve significantly more time and cost, and should only be implemented after a reasonable cost and benefit analysis is performed.

Our responses to the questions below assume the change to the materiality definition, as proposed, has been taken into account.

Specific Comments

Question 1: Would assessing materiality subject to the proposed changes to paragraphs 235-10-50-7 through 50-8 be any easier than under current GAAP? If yes, please explain why.

Response: We believe that assessing materiality subject to the proposed changes would not be any easier than the existing standards under current GAAP. Disclosures with material influence will still be required, and an increased amount of judgment will be needed to determine what is necessary to disclose. There would be a necessity to evaluate each possible disclosure item to determine whether or not it meets a material threshold, probably requiring both the external auditor and preparer to incur significant additional time.

Question 2: Would applying the amendments in this proposed Update significantly increase or reduce costs of preparing the notes to financial statements? Why or why not?

Response: We believe applying the amendments in the Proposed Update would significantly impact the cost of preparing the notes to the financial statements. Internally, the costs for the reporting entities would increase. Although the number of disclosures needed would likely decrease, there would be an increase in time related to the judgment needed for preparing the notes to the financial statements. The decrease in disclosures could create a comparability issue between periods before and after the effective date, which should be taken into account. The process of justification would be elongated in order to reasonably account for the overall financial reality of the entity and ensuring all “material” information (as legally defined) is included. The amendments would also increase legal costs in order to address any legal definition alterations and possible references to future Supreme Court cases. The increase in allowable judgment of the reporting entities would also increase hours and costs for external auditors.

Question 3: Would the amendments in this proposed Update change the information you otherwise would include in the notes to financial statements? Why or why not? If yes, how would that increase, diminish, or otherwise change the notes’ usefulness to investors, creditors, and other financial statement users?

Response: We believe that the listed amendments in the Proposed Update would change the information that would be included in the notes to financial statements. It appears that the notes would no longer need to include “immaterial” items, based on the entity’s specific industry, which would have previously been included, therefore decreasing the quantity of notes to the financial statements. The amendments could improve the usefulness of the financial statements to investors, creditors, and other financial statement users if certain immaterial information was omitted thus providing the opportunity to focus on the more relevant disclosures. A cost and benefit analysis of the material disclosures is necessary to determine the reasonableness of the increased costs compared to the usefulness to external stakeholders.

Question 4: Do you expect regulatory, legal, or audit consequences that would affect your ability to consider materiality when selecting information to be disclosed in notes to financial statements? Please explain.

Response: We do expect to have regulatory, legal, or audit consequences that would influence consideration of materiality when assessing note disclosure. The amendment 235-10-50-8 would allow the use of the legal definition of materiality, which will create a certain amount of uncertainty along with additional interpretations of the existing legal definition due to court cases. Any amendments to the existing definitions through new legal doctrine will also have regulatory, legal and audit consequences. We can foresee the use of legal counsel increasing on all fronts.

Question 5: How would you disclose information in comparative financial statements if your assessments of materiality differed in different years?

Response: We would disclose information in comparative financial statements with different assessments of materiality by mandating that items disclosed in prior periods should be updated in the disclosures of all subsequent periods being reported on. The disclosure can simply be a reference to the material item in prior periods. Maintaining consistency and avoiding unintended consequences in disclosures would help mitigate complication in the understanding of the comparative financial statements.

Question 6: Should the Board eliminate from the Accounting Standards Codification phrases like "an entity shall at a minimum provide" and other wording that could appear to limit an entity's discretion to omit immaterial disclosures? Are there particular Topics or Sections in which those changes should not be made? Are there additional paragraphs within the Accounting Standards Codification in which the wording is particularly restrictive and is not identified in Appendix B of this proposed Update? If so, please identify them.

Response: We believe that the Board should eliminate from the Accounting Standards Codification phrases like "an entity shall at minimum provide" because of the conflict that the phrases create with the new amendments. If those phrases remained as part of the final standards the amendments would counteract each other in assessing materiality, and may result in a continued abundance of immaterial disclosures in the notes to the financial statements. This amendment symbolizes the movement of standards from a "rules-based" to a "principles-based" system. This may create confusion due to the absence of guidance for unsophisticated preparers. For disclosures the FASB requires to be included in the notes regardless of whether those disclosures are material to the financial statements, there should be an accompanying disclosure that materiality does not apply to those specific disclosures.

Question 7: Do you agree with the proposed amendment that would explicitly state that the omission of an immaterial required disclosure is not an accounting error? Why or why not?

Response: We agree with the proposed amendment that would explicitly state that the omission of an immaterial disclosure that is not mandated by the Board is not an accounting error.

Question 8: Are there considerations other than those discussed in this proposed Update that would apply to not-for-profit entities?

Response: We do not believe there are any other considerations, other than those discussed in the Proposed Update, that would need to apply to Not-for-Profit entities. The issuance of the amendments would not affect deliberations currently taking place for the Not-for-Profit Accounting Standards Update.

Question 9: Should the proposed amendments be effective upon issuance?

Response: We believe that the amendments should not be effective upon issuance due to the need for a transition period for systems and processes to be put in place to track financial information in accordance with the new definition of materiality. The amendment should be implemented only at the beginning of a fiscal year to reduce comparability issues that may arise with an interim period effective date.