



June 5, 2017

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. 2017-220. Proposed Accounting Standards Update: Compensation – Stock Compensation (Topic 718): *Improvements to Nonemployee Share-based Payment Accounting*

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") to simplify the accounting for nonemployee share-based payment transactions. From our experience, the accounting for nonemployee share-based payments transactions is complex and costly for preparers and auditors, and does not provide significant benefits to users of the financial statements. We support the objective of the proposed amendments to align the accounting for share-based payment arrangements granted to nonemployees in exchange for goods or services with the accounting for share-based payment arrangements granted to employees. Often there is not a substantive difference between share-based payment awards granted to employees and those granted to nonemployees; however, under current guidance, the accounting for the awards can be significantly different. We believe the proposed model will improve the accounting for share-based payment awards to nonemployees by reducing the diversity that results from having two separate models used to account for economically similar transactions.

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

Question 1: Do you agree that the amendments in this proposed Update would result in a reduction (or potential reduction) of cost and complexity while maintaining or improving the usefulness of information provided to users of financial statements? If not, why?

Response 1: We agree that the amendments in this proposed Update would reduce complexity in accounting for share-based payment arrangements granted to nonemployee and improve the usefulness of information provided to users of the financial statements. Under the current model, awards that are similar in substance may be accounted for differently based solely on whether the recipient is an employee or nonemployee. As discussed above, we believe both financial statement preparers and users of the financial statements will benefit from a single model for share-based payment arrangements.

Technical Director
Financial Accounting Standards Board

2

June 5, 2017

Question 2: Should entities be required to measure nonemployee share-based payment transactions by estimating the fair value of the equity instruments they are obligated to issue? If not, why should there be a difference in the measurement objective for employee awards and nonemployee awards, and are there other alternatives that are more appropriate?

Response 2: We agree that entities should be required to measure nonemployee share-based payment transaction by estimating the fair value of the equity instruments they are obligated to issue.

Question 3: Should the measurement date for equity-classified nonemployee awards be the grant date? If not, why should there be a difference in the measurement date for employee and nonemployee share-based payment awards, and what other alternatives are more appropriate?

Response 3: We agree the measurement date for equity-classified nonemployee share-based payment awards should be the grant date.

Question 4: Should entities be required to use the contractual term of share options and similar instruments issued to nonemployees as an input to the measurement of those share-based payment awards? If not, what other alternatives are more appropriate?

Response 4: We believe that entities should be permitted to use the contractual term of the share options and similar instruments issued to nonemployees as an input to the measurement of those share-based payment awards. However, we recommend the Board consider whether using the contractual term should be allowed as a practical expedient rather than a requirement. We believe making this option a practical expedient rather than a requirement would be beneficial, as it would enhance consistency between the models for share-based payment awards granted to employees and nonemployees. As the Board noted in the Basis for Conclusions, entities often do not have sufficient history and records to reasonably estimate the expected term for awards granted to nonemployees. In addition, the expected term is often close to, if not the same as, the contractual term. We believe allowing entities to use the contractual term as a practical expedient would address these concerns, while also keeping the overall models for share-based payment awards granted to employees and nonemployees consistent.

Question 5: Should nonemployee share-based payment awards containing performance conditions consider the probability that the performance condition will be met in determining the appropriate period(s) of recognition? If not, why should there be a difference in the accounting for employee and nonemployee share-based payment awards with performance conditions, and what other alternatives are more appropriate?

Response 5: We agree nonemployee share-based payment awards containing performance conditions should consider the probability that the performance condition will be met in determining the appropriate period(s) of recognition.

Question 6: Is the application of the classification guidance in Topic 718 to nonemployee share-based payment awards that have vested and for which the nonemployee is no longer providing goods or services appropriate? If not, why should there be a difference in the post vesting classification assessment for employee and nonemployee share-based payment awards?

Technical Director
Financial Accounting Standards Board

3

June 5, 2017

Response 6: We agree the application of the classification guidance in Topic 718 to nonemployee share-based payment awards that have vested and for which the nonemployee is no longer providing goods or services is appropriate.

Question 7: Is the application of forfeiture guidance in Topic 718 to nonemployee share-based payment awards appropriate? If not, why should there be a difference in accounting for forfeitures for employee and nonemployee share-based payment awards?

Response 7: We agree the application of the forfeiture guidance in Topic 718 to nonemployee share-based payment awards is appropriate. However, we believe entities should be required to make a single entity-wide policy election related to accounting for forfeitures of awards granted to both employees and nonemployees. As currently drafted in the proposed amendments, an entity would be able to make different policy elections related to the accounting for forfeitures of employee awards and nonemployee awards.

Question 8: Is the practical expedient for nonpublic entities to substitute calculated values for expected volatilities when measuring share options and similar instruments issued to nonemployees appropriate? If not, why should there be a difference in the application of practical expedients for employee and nonemployee share-based payment awards?

Response 8: We agree the practical expedient for nonpublic entities to substitute calculated values for expected volatilities when measuring share options and similar instruments issued to nonemployees is appropriate.

Question 9: Should nonpublic entities be allowed to make a one-time election to switch from measuring liability-classified nonemployee share-based payment awards at fair value to intrinsic value? If not, why should there be a difference in accounting policy elections for employee and nonemployee share-based payment awards?

Response 9: We believe nonpublic entities should be required to apply their existing policy election for measuring liability-classified employee share-based payment awards to their liability-classified nonemployee share-based payment awards upon adoption of the proposed amendments. If a nonpublic entity has not previously recognized liability-classified employee awards, we agree the entity should be allowed to make a one-time election to switch from measuring liability-classified nonemployee share-based payment awards at fair value to intrinsic value.

Question 10: Are the transition requirements for the proposed amendments appropriate? If not, what transition approach is more appropriate?

Response 10: We agree the transition requirements for the proposed amendments are appropriate.

Question 11: Should the Board require an entity to adjust the basis of an asset that includes share-based payment costs when applying the transition requirements? If not, what transition approach is more appropriate?

Technical Director
Financial Accounting Standards Board

4

June 5, 2017

Response 11: We do not think entities should be required to adjust the basis of an asset that includes share-based payment costs when applying the transition requirements, as the benefits of modified retrospective adoption outweigh the costs. We believe prospective application would be more appropriate and consistent with the Board's recent decision on the transition requirements for capitalized service costs for postretirement benefits in ASU 2017-07.

Question 12: Should the Board require separate disclosures for nonemployee share-based payment transactions?

Response 12: We do not believe the Board should require separate disclosures for nonemployee share-based payment transactions. As noted in the Basis for Conclusions, during the Board's outreach, stakeholders indicated awards granted to nonemployees are economically similar to those granted to employees. Therefore, we do not believe financial statement users would need separate disclosures for awards granted to nonemployees.

Question 13: How much time will be necessary to adopt the proposed amendments? Should the amount of time needed to apply the proposed amendments by entities other than public entities be different from the amount of time needed by public entities?

Response 13: As the proposed amendments are a simplification, we do not believe the time necessary to adopt the amendments would be significant. Therefore, we do not believe entities other than public business entities would need additional time to apply the standard.

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

Very truly yours,

PLANTE & MORAN, PLLC