November 7, 2024

Technical Director
FASB
801 Main Avenue
PO Box 5116
Norwalk, CT 06856-5116

Email: Director@fasb.org

RE: File Reference No. 2024-ED300

We appreciate the opportunity to provide feedback on the proposed Accounting Standards Update (ASU), *Compensation-Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606)*, dated September 30, 2024. The purpose of the proposed ASU is to reduce diversity in practice and improve the decision usefulness and operability of the guidance for share-based consideration payable to a customer in conjunction with selling goods and services.

The views expressed herein are written on behalf of the Professional Standards Committee (PSC) of the Texas Society of CPAs. The committee has been authorized by the Texas Society of CPAs' Leadership Council to submit comments on matters of interest to the membership. The views expressed in this document have not been approved by the Texas Society of CPAs' Leadership Council or Board of Directors and, therefore, should not be construed as representing the views or policy of the Texas Society of CPAs. Please find our responses below for the request for comment.

Question 1:
Do you agree with the amendments in this proposed Update that would incorporate performance targets based on customer purchases into the Master Glossary term performance condition for share-based consideration payable to a customer? Are the proposed amendments clear and operable? Would the revised definition improve the operability of the guidance and capture the complete population of share-based consideration that vests on the basis of customer purchases? Please explain why or why not.

Response:
The PSC agrees with the amendments to incorporate performance targets based on customer purchases into the definition of a performance condition. The PSC believes the proposed amendments are clear and operable and that the revised definition will improve the operability of the guidance. We are not aware of additional share-based payment arrangements payable to customers based on customer purchases that would not be covered by this guidance.

Question 2:
In addition to customer purchases, do you agree with the proposed amendments that would incorporate performance targets based on purchases by parties that purchase the grantor's goods or services (its customer's customers) into the Master Glossary term performance condition? Are the proposed amendments clear and operable? Please explain why or why not.

Response:
The PSC agrees with the inclusion of performance targets based on purchases by the "customer's customer" in the definition of a performance condition because it is consistent with the application of the guidance for consideration payable to a customer in Topic 606.

Question 3:
Do you agree with the proposed amendments that would remove the accounting policy election for forfeitures in paragraph 718-10-35-1D for share-based consideration payable to a customer that includes a service condition? Are the proposed amendments clear and operable? Please explain why or why not.

Response:
The PSC agrees with the proposed amendments to remove the accounting policy election to recognize forfeitures as they occur in paragraph 718-10-35-1D for share-based consideration payable to a customer that includes a service condition. We believe the recognition of forfeitures as they occur is inconsistent with the principles of Topic 606, which require estimation of variable consideration. Further, we agree with the Board's decision that the removal of the option to recognize forfeitures as they occur would not apply to share-based consideration payable to nonemployees other than customers or employees, as such an election is very important in eliminating complexity for many private businesses.

Question 4:
Should grantors that have previously made an entity-wide policy election to estimate forfeitures for nonemployee share-based payment awards, including share-based payment awards granted to customers, be permitted to make a one-time change upon transition to account for forfeitures as they occur? Please explain why or why not

Response:
The PSC supports providing grantors (that have previously made an entity-wide policy election to estimate forfeitures for nonemployee share-based payment awards) an election to make a one-time change upon transition to account for forfeitures as they occur, without a preferability assessment.

Question 5:
Are the proposed amendments that would clarify that the guidance in Topic 606 on constraining estimates of variable consideration does not apply to share-based consideration payable to a customer clear and operable? Please explain why or why not.

Response:
The PSC believes the proposed amendments are clear and operable.

Question 6:
Would the proposed amendments reduce diversity and improve the decision usefulness of a grantor's revenue information? Please explain why or why not.

Response:
The PSC believes the proposed amendments will reduce diversity, as current GAAP is unclear whether these arrangements should be evaluated as performance conditions or service conditions. Additionally, including these arrangements in the definition of a performance condition (and eliminating the option to recognize forfeitures as they occur for any similar arrangements that are deemed to be service conditions) will result in revenue recognition that is more consistent with the principles in Topic 606, which will result in revenue information to be reflected in a more consistent manner, including between companies that do not have share-based payments to customers and those that do have such payments. As a result, the proposed Update will improve the decision usefulness of the information provided.

Question 7:
The proposed transition requirements would allow grantors to apply the proposed amendments on either a modified retrospective basis or a retrospective basis (unless impracticable). Would the information required to be disclosed under each proposed transition method be decision useful? If not, why not and what transition method would be more appropriate and why? Are the proposed transition requirements operable? Please explain why or why not.

Response:
The PSC agrees with the proposed transition requirements, which allow grantors to apply the proposed amendments on either a modified retrospective basis or a retrospective basis.

Question 8:
How much time would be needed to implement the proposed amendments? Should the effective date for entities other than public business entities be different from the effective date for public business entities? Should early adoption be permitted? Please explain why or why not.

Response:
The PSC believes the implementation of the proposed amendment should be relatively straightforward. The PSC recommends giving public companies one year and private companies two years, while allowing early adoption to implement the proposed amendments.

We appreciate the opportunity to submit comments on the proposed ASU, *Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606).*

Sincerely,

Jeffrey L. Johanns

Jeffrey Johanns, CPA
Chair, Professional Standards Committee
Texas Society of Certified Public Accountants