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March 21, 2024

Ms. Hillary Salo
Technical Director
Financial Accounting Standards Board
801 Main Avenue
Norwalk, CT 06850-5116

Via Email to director@fasb.org

Re: File Reference No. 2023-ED700

Dear Ms. Salo:

Grant Thornton LLP appreciates the opportunity to respond to Proposed Concept Statement No. 8, *Conceptual Framework for Financial Reporting—Chapter 6: Measurement* (Proposed Concepts Statement).

Overall, we support the Board's efforts to complete its ongoing project to update and modernize the Concept Statements with this final chapter providing guidance on measurement. We agree with the underlying premise that the value reported for assets should not be more than what is recoverable, and liabilities should not be less than what is settleable. We also agree that anchoring measurements in entry and exit prices is a sound foundation for the guidance on measurement in the Conceptual Framework. Overall, we believe the Proposed Concepts Statement will be useful in guiding current and future Boards in decision making and standard setting.

We would like to share some observations and suggestions that we believe could enhance the clarity and understandability of the Proposed Concepts Statement. The following are our broad observations:

- *Focus on the measurement of certain elements*—The focus of the Proposed Concepts Statement appears to be the appropriate measurement of assets and liabilities on the balance sheet. However, the proposal does not provide conceptual guidance on measurement for the other eight elements comprising the financial statements, as defined in Concepts Statement No. 8, *Conceptual Framework for Financial Reporting—Chapter 4, Elements of Financial Statements*, including revenue, expenses, gains, losses,

distributions to or investments from owners, equity or net assets, and comprehensive income. As discussed in proposed Paragraphs M8, M10, and M15, the measurement system selected for an asset or liability would dictate how it is ultimately recognized through the income statement. However, we noted that the Proposed Concepts Statement, along with other guidance in the current Conceptual Framework, does not provide measurement concepts for transactions involving the other elements discussed in Chapter 4. We ask the Board to consider whether providing measurement guidance for these elements would make the Conceptual Framework as a whole more complete.

- *Measurement of assets and liabilities*—The Proposed Concepts Statement does not provide a separate discussion of the measurement of assets and the measurement of liabilities. In some cases, the differing attributes of assets and liabilities could make it more challenging to apply the proposed measurement concepts to liabilities than to assets. We suggest that the Board consider whether additional guidance is necessary on the measurement of these elements.

Additionally, the following are more targeted observations about ways in which the Proposed Concepts Statement might be clarified to enhance its understandability and usefulness:

- *Entity-specific and market participant exit price measurement systems*—The Proposed Concepts Statement discusses two types of exit price measurement systems: entity-specific and market participant. We believe the Board could enhance this distinction by further delineating when each measurement system would apply, and by further explaining why these two systems could result in different exit price measurements. We note that the guidance in Statement of Financial Accounting Concepts No. 7 (CON 7), *Using Cash Flow Information and Present Value in Accounting Measurements*, which will be superseded by the Proposed Concepts Statement, includes both a discussion and examples of entity-specific and market participant measurement systems. We encourage the Board to consider whether some examples or additional discussion leveraged from that source would help to clarify the Proposed Concepts Statement.
- *Fair value*—The term *fair value* is used in multiple places in the Proposed Concepts Statement, with potentially differing meanings and implications. In some places, it seems to be used interchangeably with an exit price measured using the market participant measurement system. Proposed Footnote 7, which clarifies a discussion of estimating future cash flows in measuring an exit price, states that “Cash flow estimates from a market participant perspective are also referred to as fair value.” In other places, the Proposed Concepts Statement discusses exchanges at fair value that do not appear to refer solely to market participant exit prices, as in Paragraphs M5 and M23. With the proposed deletion of CON 7, it makes sense to incorporate some of the discussion of fair value in that document into the guidance in the Proposed Concepts Statement. However, we think that this

incorporation could be clarified, and made more operable, by using the term *fair value* consistently throughout or by reconciling differences in its usage.

- *Unique prices*—The Proposed Concepts Statement uses the premise of “unique” prices for measuring an asset or liability, but does not fully explain which situations might give rise to unique prices. Including a definition of “unique” and expanding on the conditions under which a price would be considered unique could help to clarify this concept within the Proposed Concepts Statement.
- *Nonexchange transactions*—Paragraph M25 discusses the specific measurement circumstance relating to charitable contributions, defining these contributions as “transactions in which the recipient of a contribution did not actively participate in establishing the amount to be received as a basis for the transaction.” We note that there are other transactions, such as government grants, in a project currently on the Board’s Technical Agenda, which would seem to share this characteristic. We suggest the Board consider broadening the language in this paragraph to contemplate other types of nonexchange transactions that may share measurement attributes with charitable contributions.

We would be pleased to discuss our comments with you. If you have any questions, please contact Carolyn Warger, Partner, at Carolyn.Warger@us.gt.com or 617.848.4838, or Graham Dyer, Chief Accountant, at Graham.Dyer@us.gt.com or 312.602.8107.

Sincerely,

/s/ Grant Thornton LLP