



February 21, 2023

Ms. Hillary Salo  
Technical Director  
Financial Accounting Standards Board  
801 Main Avenue, PO Box 5116  
Norwalk, CT 06856-5116

**Re: File Reference No. 2022-ED400**

Dear Ms. Salo,

This letter is submitted by Financial Executives International's (FEI) Committee on Corporate Reporting (CCR) in response to the Financial Accounting Standards Board's (FASB or Board) Proposed Statement of Financial Accounting Concepts, Concepts Statement No. 8, Conceptual Framework for Financial Reporting – Chapter 5: Recognition and Derecognition (Exposure Draft or proposed Chapter).

FEI is a leading international organization comprised of members who hold positions as Chief Financial Officers, Chief Accounting Officers, Controllers, Treasurers, and Tax Executives at companies in every major industry. CCR is FEI's technical committee of approximately 50 Chief Accounting Officers and Corporate Controllers from Fortune 100 and other large public companies, representing more than \$12 trillion in market capitalization. CCR reviews and responds to pronouncements, proposed rules and regulations, pending legislation, and other documents issued by domestic and international regulators and organizations such as the U.S. SEC, PCAOB, FASB, and IASB.

This letter represents the views of CCR and not necessarily the views of FEI or its members individually.

**Executive Summary**

CCR appreciates the Board's effort to continue to improve the conceptual framework to provide a foundation for the development of future accounting standards. In our letter, CCR broadly supports the Board's proposed criteria and guidance on when an item should be incorporated into and removed from financial statements.

**Proposed Recognition and Derecognition Criteria**

In general, we support the proposed recognition and derecognition criteria and guidance. We agree an item and its financial information must concurrently meet the following criteria: the item meets the definition of an element of financial statements, the item is measurable and has a relevant measurement attribute, and the item can be depicted and measured with faithful representation. We also commend the Board for

aligning the criteria with the fundamental qualitative characteristics described in Concepts Statements No. 8 Chapter 3.<sup>1</sup>

In addition, we agree the qualitative characteristic of relevance is adequately captured in the definitions and measurability criteria as recognizing an item that does not meet the definition of an element would be inconsistent with the objective of general purpose financial reporting. We support the Board's decision to not retain the relevance criterion as a standalone recognition criterion as the qualitative characteristic of relevance is inherently met by the item meeting the definition of an element.<sup>2</sup> In most instances, an item that meets the definition of an element as defined in Chapter 4, Elements of Financial Statements will also meet the measurability and faithful representation criteria, with the exception of some contingencies. Contingent assets and contingent liabilities are examples of items where existence of the present right or obligation may be confirmed,<sup>3</sup> but the fact that the outcome is unknown results in the asset or liability not meeting the measurability criterion. However, we believe adequate guidance on accounting for contingencies where there may be measurement uncertainty currently exists in U.S. GAAP.

Furthermore, we concur derecognition occurs when an item fails to meet any one of the recognition criteria. In our view, continued recognition of an item that does not meet the criteria would be a violation of the fundamental recognition criterion, and we appreciate the Board's consistency in approach towards recognition and derecognition.

### **Conclusion**

We appreciate this opportunity to provide feedback on the proposed Chapter to the Conceptual Framework related to Recognition and Derecognition. We thank the Board for its consideration of our comments and welcome further discussion with the Board or staff at your convenience.

Sincerely,

*Rudolf Bless*

Rudolf Bless  
Chair, Committee on Corporate Reporting  
Financial Executives International

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<sup>1</sup> See QC5 of the [Statement of Financial Accounting Concepts No. 8 Chapter 3](#).

<sup>2</sup> See BC11 of the [Exposure Draft](#).

<sup>3</sup> See EC30 and EC60 of the [Statement of Financial Accounting Concepts No.8 Chapter 4](#).