August 14, 2015

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

Re: File Reference No. 2015-270

Dear Ms. Cosper:

We appreciate the opportunity to respond to the FASB's Exposure Draft, *Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. We commend the FASB for its efforts to simplify financial reporting while maintaining or enhancing decision-useful information provided to investors.

We support the Board's initiative to simplify the accounting for share-based payments. We acknowledge that the current accounting model, while developed through thoughtful conceptual analysis and significant debate, includes inherent complexities. Our experience over the past decade suggests that opportunities to simplify and improve the standard exist.

We agree with the majority of the proposed amendments and believe they achieve the spirit of the simplification initiative: reducing cost and complexity while maintaining or improving the usefulness of information provided to users of the financial statements. However, we believe that some may not, or the incremental costs of change to implement the simplification may outweigh the benefits relative to the status quo. Our key observations and recommendations on the Exposure Draft include the following:

Issue 1 – Accounting for Income Taxes
We support the proposal to recognize all tax effects from share-based payments, including excess tax benefits ("windfalls") and tax deficiencies ("shortfalls"), within the income statement. The proposal achieves simplification by relieving preparers of the burdensome task of tracking the so-called "windfall pool." In addition, it provides greater clarity and comparability for users as to the tax effects of share-based compensation arrangements. We also believe this approach appropriately reflects the ultimate tax benefits associated with employee compensation arrangements in the results of operations.

Notwithstanding our support for the proposal, we acknowledge the challenges some entities may encounter in managing and communicating with their stakeholders about increased variability in their effective tax rate arising from the proposed treatment of windfalls and shortfalls. We also note the concern expressed by some preparers that the benefits of making a change in this area do not exceed the costs of changing existing systems and processes, regardless of the inherent complexities the proposal was designed to address. As a result, if opposition to the proposed change is significant, in the spirit of simplification, we would encourage the Board to explore an alternative of recording all excess tax benefits and tax deficiencies in additional paid-in capital, without the use of a windfall pool. However, as more

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fully described in our detailed responses in the appendix, some accounting complexities will remain with this alternative, and could potentially occur with greater frequency.

We also support recognition of windfall tax benefits (subject to valuation allowance considerations) at the time they arise (e.g., upon exercise of a stock option), regardless of whether the benefit reduces taxes payable in the current period. This proposal achieves simplification by eliminating the complexities of identifying whether, or when, a windfall tax benefit actually reduces taxes payable, as well as the "off-the-books" tracking of such items.

Issue 3 - Forfeitures
We support the proposal to permit entities to make an accounting policy election to either account for forfeitures when they occur or to estimate forfeitures. We recommend that the Board provide greater clarity around *when* a forfeiture occurs for entities that choose this policy, as further described in our response to Question 4 below.

Issue 4 – Minimum Statutory Tax Withholding Requirements
We support the proposal to expand the threshold for equity classification of awards where employers partially cash settle awards for tax-withholding purposes. Some complexity still remains as to determining different maximum individual tax rates for employees in various jurisdictions, and we recommend that the Board clarify the guidance to more clearly state whether the amount that can be withheld is limited to the maximum tax rate for each individual employee or the maximum tax rate applicable to any employee in a particular jurisdiction.

Issue 6 – Classification of Awards with Repurchase Features
While we support the objective of having a single model for the assessment of repurchase features, in our view the proposed guidance seems only to postpone the classification of an award as a liability and does not necessarily reduce the complexity associated with the assessment. Assessing whether an event that is within the employee's control (such as a voluntary termination of employment) is probable of occurring before the employee bears the risks and rewards of equity ownership for a reasonable period of time is highly judgmental and the proposal is unclear whether the assessment should address the probability of the precedent termination event as of the reporting date or over a longer horizon. Our concerns with this proposal are described more fully in our response to Question 7 below.

Detailed responses to the questions for respondents are included in Appendix 1. Other observations and recommendations for the Board to consider are included in Appendix 2.

If you have any questions, please contact Pat Durbin at 973-236-5152 or Jay Seliber at 973-236-7277.

Very truly yours,

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Appendix 1

Question 1 - *Do you agree that the proposed amendments 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?*

We agree that most of the proposed amendments would achieve the goal of reducing cost and complexity while maintaining or improving the usefulness of information provided to users of the financial statements. However, we believe that the proposed guidance on classification of awards with repurchase features may not sufficiently reduce the complexity associated with the probability assessment to justify the costs of change, as discussed further in our response to Question 7 below. Additionally, we believe that the proposed expansion of the threshold for equity classification as it relates to tax withholdings could be further simplified by removing the requirement that the employer have a statutory obligation to withhold taxes in order to apply this exception, as discussed further in our response to Question 5.

Question 2 *- Should excess tax benefits and tax deficiencies be recognized in the income statement? If not, why, and are there other alternatives that are more appropriate? Should an entity delay recognition of an excess tax benefit until the benefit is realized through a reduction to taxes payable? If yes, why?*

<u>Recognition of excess tax benefits and tax deficiencies in the income statement</u>
We support the proposal to include excess tax benefits (windfalls) and tax deficiencies (shortfalls) within the income statement, as it simplifies record-keeping for preparers while providing clarity and comparability for users. This proposal eliminates the asymmetric treatment of windfalls and shortfalls where windfalls are recorded in additional paid-in capital and shortfalls are recorded in the income statement (in the absence of a sufficient windfall pool). In addition to detailed "off-the-books" tracking of the tax effects of settlements of awards over long periods of time, this asymmetrical model has resulted in disparate outcomes for the tax effects of similar employee compensation arrangements based solely on whether a company had previously accumulated a windfall pool. Therefore, elimination of the windfall pool approach would provide for greater comparability across entities. Finally, we believe that reflecting all tax consequences associated with employee compensation in the income statement has strong conceptual merit.

While we support the proposal on conceptual grounds, we acknowledge the challenges presented for companies as a result of variability in their reported effective tax rate, as well as the concern expressed by some preparers that the benefits of making a change in this area do not exceed the costs of changing existing systems and processes. If opposition to the proposed change is significant, we would encourage the Board to explore an alternative of recording all excess tax benefits and tax deficiencies in additional paid-in capital. This alternative may alleviate preparer concerns regarding the income statement impact and related variability in effective tax rates while still obtaining a measure of simplification by eliminating the tracking of windfall pools.

Should the Board choose to consider the alternative of recording all excess tax benefits and tax deficiencies in additional paid-in capital, we would observe that some accounting complexities will remain, and could potentially occur with greater frequency. These complexities include determining the appropriate intraperiod allocation of these tax effects as they interact with a company's operating results and the sometimes counterintuitive result when valuation allowances are recorded (or released) against

deferred tax assets initially recorded in equity. Other indirect complexities associated with intraperiod allocation of tax benefits from share-based payments would also remain and could impact the amount of the tax benefit recorded to additional paid-in capital. For example, U.S. entities may receive certain federal tax deductions that impact their effective tax rate and thus the measurement of the incremental tax benefit of the excess tax deduction. This would include items such as the additional deduction provided by the IRS for manufacturing companies that perform qualified domestic production activities. Historically, companies have likely determined an approach to measuring the amount of windfall tax benefits considering the indirect effect of these types of items, and this complexity would remain if all excess tax benefits and tax deficiencies are recorded in additional paid-in capital.

Assuming the Board proceeds with the original proposal, it would be helpful for the FASB to include clarifying guidance in the final standard with respect to the interim period treatment of excess tax benefits and tax deficiencies. As currently drafted, the guidance does not address whether the income tax effects should be recognized through the estimated annual effective tax rate or as discrete events recognized in the interim period in which settlements occur. We believe it is appropriate to apply existing guidance in ASC 740-270, including ASC 740-270-30-17, which addresses situations where an entity is unable to reliably estimate a portion of its ordinary income or loss. We encourage the FASB to incorporate cross-references to this guidance.

Recognition of excess tax benefit prior to reduction in taxes payable

We also support the proposal to recognize the deferred tax effects of an excess tax benefit when it arises rather than deferring recognition until it generates a reduction to cash taxes payable. This proposal eliminates the need to maintain an additional set of records to separately track "off-balance sheet" net operating losses (NOLs) that arose from such excess tax benefits and is a logical extension of the decision to recognize all tax effects through net income. Furthermore, we believe the existing delayed recognition guidance conflicts with ASC 740, *Income Taxes*, as it precludes recognition of a deferred tax asset in cases where the related NOL meets the more-likely-than-not threshold, producing counterintuitive results. It also segregates deferred tax assets associated with the amount of compensation expense recognized for financial reporting purposes (which are recognized) from those associated with tax deductions in excess of that amount (which are not recognized) for the same awards. The proposal would also eliminate the complexity associated with the accounting for NOL carryforwards acquired in a business combination in cases where the acquiree had NOL carryforwards that resulted partly from windfall tax benefits.

Finally, the combination of this proposal with the proposal to recognize all tax effects of share-based compensation arrangements in net income would obviate perhaps one of the more pervasive complexities associated with applying the intraperiod allocation rules: determining which tax benefits should be considered first in cases where an entity has current-year windfall tax benefits (today reported in equity) and NOL carryforwards from earlier years (reported in net income), both of which are available to offset taxable income in the current year.

Question 3 *- Should the effect on tax cash flows related to excess tax benefits be classified as an operating activity on the statement of cash flows? If not, what classification is more appropriate and why?*

We support the proposal to reflect the effect of all tax cash flows related to share-based payment awards as an operating activity in the statement of cash flows. We believe this approach aligns with the proposal to present all tax activity associated with share-based payments in the income statement and is also easier

to apply in practice. Further, we believe this approach aligns with the overall objectives in ASC 230, *Statement of Cash Flows*, to reflect tax payments in operating cash flows as part of the activities of operating the business and compensating employees, as well as the concept of only reporting actual cash flows (vs. imputed cash flows).

Should the Board consider an alternative to reflect all excess tax benefits and tax deficiencies in additional paid-in capital, the Board may wish to reconsider this proposal to ensure conceptual consistency between the accounting in the balance sheet and statement of cash flows. In other words, if certain of the tax effects associated with share-based payments are recorded in stockholders' equity and viewed to be associated with raising capital, the Board should consider whether the associated cash flows should be reflected as a financing activity in the statement of cash flows.

Question 4 *- Should entities be permitted to make an accounting policy election either to account for forfeitures when they occur or to estimate forfeitures? If not, why?*

We support the proposal to permit entities to make an accounting policy election to either account for forfeitures when they occur or to estimate forfeitures, but recommend that the Board consider providing clarifying guidance in the final standard regarding what is meant by recording forfeitures "when they occur." We foresee confusion arising in practice in situations where, for example, a termination agreement is reached prior to the end of a fiscal period, but the actual effective date of the termination is in the following period.

We also acknowledge that the proposal does not reduce complexities associated with modifications or replacement awards issued in a business combination. We believe this may create some operational or implementation complexities because companies that elect to account for forfeitures as they occur would still be required to estimate forfeitures related to replacement awards in a business combination. We expect that companies typically track all share-based payment awards using the same systems, controls, and processes. However, companies may have to apply different accounting related to forfeitures depending on whether an award was issued as a replacement award or in the normal course.

We also recommend that a similar discussion about the ongoing need to assess whether performance or service conditions are expected to be satisfied, which has been added in proposed paragraph 718-20-35-3A in relation to modifications, should be added to the discussion in ASC 718-20-35-7 regarding repurchases of equity awards.

Question 5 *- Is the proposed expansion of the exception to liability classification related to the amount withheld for employee's taxes appropriate? If not, is there another exception that is more appropriate and why?*

We support the proposal to expand the threshold for equity classification related to the amount withheld for employees' taxes, and acknowledge it will likely be a welcomed relief to employers. While expanding the circumstances under which awards will be classified as equity awards, complexity remains in determining different maximum individual tax rates for employees in various jurisdictions. In that regard, we recommend that the Board clarify the proposed guidance in ASC 718-10-25-18 to more clearly state whether the amount which can be withheld is limited to the maximum tax rate for each individual employee (which could vary by employee in a jurisdiction) or the maximum tax rate applicable to any employee in a particular jurisdiction. We understand the Board intended the latter approach. If so, we

recommend that the Board clarify the proposed simplification to indicate that the analysis is meant to be performed at the jurisdictional level, as opposed to an individual employee level. If this is not the intent of the Board, we believe this proposal would not result in a reduction of cost and complexity, but would simply expand an exception to the conceptual model for distinguishing between liability and equity awards.

We also recommend that the Board reconsider the requirement that the employer have a statutory obligation to withhold taxes in order to be eligible to apply this exception. If the allowable withholding limit is changed to any employee's maximum individual tax rate, which we understand can often significantly exceed the employer's statutory minimum withholding responsibility, then the employer's withholding requirement is no longer relevant in the analysis. Thus, we believe the proposed simplification should apply even if the employer's statutory minimum withholding responsibility is zero in a given jurisdiction. This recommended modification to the proposal may further reduce cost and complexity in practice, by eliminating the need to track and assess which jurisdictions do or do not impose withholding responsibilities on employers. This could also result in greater consistency in treatment across different types of entities. For example, we understand that for U.S. federal income tax purposes, a publicly traded partnership is not subject to statutory withholding responsibilities upon issuance of partnership units as share-based payments.

Question 6 *- Should the cash paid by an employer to the taxing authorities when directly withholding shares for tax-withholding purposes be classified as a financing activity on the statement of cash flows? If not, what classification is more appropriate and why?*

We agree with the proposal to classify cash paid by an employer to the taxing authorities on an employee's behalf when withholding shares for tax-withholding purposes as a financing activity in the statement of cash flows. We believe this would enhance consistency of application in practice. In addition, we believe it is conceptually consistent with the conclusion in Issue 4 that the tax withholding arrangement is in effect a repurchase of equity instruments rather than cash-settled compensation.

Question 7 - *When assessing the classification of an award with a repurchase feature that can only be exercised on the occurrence of a contingent event, should a contingent event within the employee's control be assessed in the same manner as a contingent event outside the employee's control? If not, why should there be a difference in the assessment?*

While we support a common classification framework for all types of repurchase features, we believe the proposed guidance does not reduce the complexity associated with the existing model. The assessment of whether an event that is within the employee's control (such as a voluntary termination) is probable of occurring before the employee bears the risks and rewards of equity ownership for a reasonable period of time is highly judgmental. It is also open to misinterpretation as to whether the assessment should address whether the termination event itself is probable at the reporting date or must contemplate whether a termination over a longer period of time is probable. Further, we believe the proposal may end up merely deferring liability treatment of many share-based payment awards with repurchase features rather than alleviating the associated complexity.

Additionally, while we understand the Board's intent was to incorporate events that are within the employee's control, such as voluntary termination of employment, the proposed language in paragraphs 718-10-25-9 to 25-11 illustrates only an initial public offering as an example of a contingent event. Neither

the amended standard nor the basis for conclusions clarifies that the Board intends for this guidance to apply to events such as voluntary termination of employment. The proposed guidance redefines what companies have historically determined to be a contingent event, and how that determination and subsequent assessment interact with other concepts in the standard, such as the guidance on cash settlement described in ASC 718-10-25-15 (which varies depending on whether cash settlement is in the employee's or entity's control).

We further believe the proposed guidance increases the complexity associated with the probability assessment required by companies in performing this analysis. We highlight this particularly for options with put features on the underlying shares that are contingent upon an employee termination event, as described in the proposed changes to ASC 718-10-25-11. In these types of arrangements, our experience is that employees (especially at nonpublic entities) often delay exercising options until it is necessary to do so, such as upon expiration of the option or termination of employment, unless there is a liquidity event. Therefore, employees will often not exercise their options until termination of employment, at which time they will immediately be able to exercise the put feature on the underlying "immature" shares. While this may be a likely outcome based on historical experience, it may be the case that termination of employment is not presently probable. As a result, it becomes important to determine if the assessment of probability required by the proposed standard is an assessment of probability of termination of employment as of the end of the reporting period, or an assessment of probability of an employee exercising an option within 6 months of termination of employment (which may be likely as described above). We understand that the Board's intent is the latter, but we are concerned that the proposed language included in ASC 718-10-25-11 does not clearly articulate this expectation. As proposed, we believe there is room for misinterpretation of the Board's intent. Further, in such a situation, we anticipate that companies will find it challenging to assess whether it is probable that an employee will terminate (potentially many years in the future) with immature shares and, similarly, auditors will find it challenging to audit management's conclusions.

Question 8 - *Is the practical expedient for nonpublic entities to estimate the expected term of all awards with performance conditions that affect vesting or service conditions appropriate? If not, are there other practical expedients that are more appropriate and why? Should the expedient be limited to nonpublic entities?*

While we generally support simplification in this area, we do not support using different methods to estimate the expected term of awards based on whether the performance condition is considered probable or improbable. We believe that the use of different methods adds complexity, and is inconsistent with the guidance in ASC 718-10-30-27, which states that performance conditions that affect vesting are not reflected in estimating the fair value of an award. We also believe that use of this approach, combined with the guidance in ASC 718-10-30-15 to compute a grant date fair value for each possible outcome of a performance condition, would add significant complexity in situations where the award provides for an array of payoffs across a range of outcomes (such as a "sliding scale" based on revenue or earnings targets between a minimum and maximum value). Some of the outcomes may be probable at the grant date, while others may not be. To determine exactly which are probable and which are not, and then use different expected terms in the determination of grant date fair value for those outcomes, would require significant recordkeeping. We recommend that the Board consider alternative practical expedients, such as (a) estimating the expected term as the midpoint between the requisite service period and the contractual term for all awards, or (b) application of the SEC's simplified method for estimating expected

term (in Staff Accounting Bulletin Topic 14.D.2), and limit application of the practical expedient to awards with only service conditions.

We believe that whatever expedient is determined should be equally available to public and nonpublic entities.

Question 9 - *Should nonpublic entities be allowed to make a one-time election to switch from measuring liability-classified awards at fair value to intrinsic value? If not, why? While not proposed, should the Board consider making the ability to elect intrinsic value an ongoing election alternative for nonpublic entities?*

We support the proposal that nonpublic entities be allowed to make a one-time election to switch from measuring liability-classified awards at fair value to intrinsic value. We acknowledge that the existing guidance already provides the opportunity for this election (even though not preferable), and believe this one-time election is consistent with the simplification objectives.

We believe that use of fair value is preferable and a company generally should not have an ongoing opportunity to freely elect to change from a preferable to a non-preferable policy. However, we understand that the FASB, in conjunction with the Private Company Council, is presently evaluating the topic of ongoing policy elections for nonpublic entities and recommend including this election as part of that broader assessment.

Question 10 - *Are the transition requirements for each area appropriate? If not, what transition approach is more appropriate?*

We agree that the transition methods for each issue are reasonable and appropriate for the nature of the respective change, but acknowledge that not having a consistent transition method across the various areas of the proposed standard may complicate implementation for companies and disclosure of the effects of adopting the new guidance in their financial statements.

The proposals for minimum statutory withholding (Issue 4) and for repurchase features (Issue 6) both could result in a change from liability to equity classification. However, the proposed transition methods for each are different (cumulative effect adjustment to retained earnings for Issue 4 and to additional paid-in capital for Issue 6). We recommend that the Board establish consistent transition methods for these two Issues, and support transition through a cumulative adjustment to additional paid-in capital for both.

Question 11 - *How much time will be necessary to adopt the amendments in this proposed Update? Should the amount of time needed to apply the proposed amendments by entities other than public business entities be different from the amount of time needed by public business entities?*

We anticipate that the proposed guidance would not require significant time to adopt and therefore we support an effective date as early as January 1, 2017 for calendar year-end public entities, with early adoption permitted. We support a one-year deferral for nonpublic entities, consistent with other recent standards. When considering the time necessary to adopt the amendments, the Board should consider the impact the proposed simplifications have on software, systems, and internal processes, as well as the

readiness of third-party service providers that are often utilized by companies for portions of tracking share-based payment awards.

Appendix 2

In addition to our responses to the FASB's specific questions, we have the following observations and recommendations on the proposed ASU:

Paragraphs 718-20-55-34A to 55-34G – Case C
We believe the calculation of the amount of compensation expense to reverse for forfeitures that occur in 20X6 and 20X7 is incorrect. As the awards have cliff vesting terms, any forfeitures which occur in 20X6 would result in a reversal of expense recorded in both 20X5 and 20X6. The calculations in proposed paragraph 718-20-55-34F correctly reflect a reversal of the expense recorded on the 47,344 options forfeited during 20X6 ($231,828), but incorrectly omit the reversal of the expense recorded on those options during 20X5. Accordingly, we believe the entry to record the reversal of expense in 20X6 would be $463,656. The same would be true for forfeitures which occur during 20X7.

Paragraph 718-20-55-144 – Case E
The discussion of the subsequent entries in 20X6 and 20X7 could be further clarified. We believe that as compensation expense is recognized in those years based on the original grant date fair value of the equity award (due to the "floor" concept, since the liability value is lower than the original grant date fair value of the equity award), (a) a portion of that expense would be recorded to the liability balance to accrete the liability balance up to the full $1,642,812 by the end of the requisite service period, and (b) a deferred tax benefit and deferred tax asset would be recorded to the extent of the tax effect of the increase in the recorded balance of the liability each year.

We would recommend the following changes to the last sentence of that paragraph:

> Compensation cost of $4,022,151 ~~and a corresponding increase in additional paid-in capital~~ would be recognized in each of 20X6 and 20X7 for a cumulative total of $12,066,454 (as calculated in Case A); of this, $547,604 would be recorded as an increase to the liability balance, with the remaining $3,474,547 recorded as an increase in additional paid-in capital. A deferred tax benefit and corresponding increase to the deferred tax asset would be recorded for the tax effect of the increased liability of $191,661 ($547,604 x .35). The ~~however, that~~ compensation cost recorded to additional paid-in capital in this situation has no associated income tax effect (additional deferred tax assets are recognized based only on subsequent increases in the amount of the liability).

Paragraph 718-740-45-8
The proposed amendments to paragraph 718-740-45-8 state that all tax deductible dividends paid on nonvested shares/share units or outstanding share options should be recognized as income tax expense or benefit in the income statement. This implies that these tax deductions are equivalent to "windfall" tax benefits that arise upon final settlement of the share-based payment award (such as upon vesting of share units or exercise of share options). However, unlike a final settlement of a share-based payment award, a dividend could be viewed as a partial realization of the tax benefits that may ultimately arise from the

award, as opposed to an unanticipated windfall. This is particularly true for a large, non-recurring dividend (as contemplated in the definition of an "equity restructuring" in 718-20-20), which would likely result in a direct reduction in the stock price and, therefore, lower the future tax deduction that will arise upon final settlement of the award. Accordingly, we recommend the Board consider treating the tax benefit arising from large, non-recurring dividends (which already receive special pre-tax accounting consideration compared to recurring dividends) as a partial recovery of the recognized deferred tax asset on the underlying compensation expense associated with outstanding awards rather than an immediate windfall benefit in income tax expense. We believe that (i) this is a more conceptually sound reflection of the difference between book basis (i.e., compensation costs recognized) and tax basis (i.e., tax deductions received) for share-based payment awards; (ii) this is similar to how deferred tax liabilities are recorded when an employee makes an election to be taxed upon grant of an unvested award (and the company therefore receives a tax deduction in advance of recognizing compensation cost); and (iii) such circumstances are relatively infrequent and therefore would not create significant additional complexity for entities.

Paragraph BC8
The final sentence of BC8 states that the proposed treatment of excess tax benefits and tax deficiencies would be similar to the cumulative results under IFRS. However, while this may be true for tax deficiencies, excess tax benefits are still recorded to equity under IFRS, which is different than the approach proposed by the FASB. As a result, we recommend that the Board modify or delete this sentence.

Paragraph 7 – proposed change to ASC 718-10-50-2(j)
We recommend clarifying what is meant by the "tax benefit from stock options exercised during the annual period." For example, is this the amount reflected in the tax return? The gross deferred tax asset arising from the deduction? Or the amount recorded in income tax expense or benefit (after consideration of a valuation allowance)?

Paragraph 33 – ASC 718-10-55-76
We believe that the fifth sentence should be changed as follows: "Because the performance conditions are now probable of achievement ~~requisite service is now expected to be rendered~~, compensation cost will be recognized in the period of the change in estimate (see paragraph 718-10-35-3) as the cumulative effect on current and prior periods of the change in the estimated number of awards for which the requisite service is expected to be rendered." The requisite service was always expected to be rendered; it was the change in probability of achieving the performance conditions that causes the change in estimate in the described fact pattern.

Paragraphs 52 and BC3
A nonpublic entity is described as being generally defined in ASC 718 as "an entity whose equity securities do not trade in a public market." However, that is not the only definition of a "nonpublic entity" in 718-10-20. We would recommend that the final standard more closely follow the definition in the Master Glossary rather than potentially create confusion with a narrower definition.

Paragraph BC9
We recommend that the Board also note that classifying all the tax effects associated with share-based payments as operating activities in the statement of cash flows is consistent with the conclusion that all of the income tax effects should be recorded in the income statement.