March 18, 2024

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

**RE: File Reference No. 2023-ED700**

Dear Ms. Salo:

PricewaterhouseCoopers LLP appreciates the opportunity to comment on the Proposed Statement of Financial Accounting Concepts No. 8, *Conceptual Framework for Financial Reporting – Chapter 6: Measurement*.

We support the FASB's efforts to periodically revise the Conceptual Framework without reconsidering all aspects of the Framework, or when decisions at the standards level significantly advance the thinking on Framework-level concepts. We agree that providing a frame of reference for measurement is an important element of the broader conceptual framework that the Board would use in developing future standards of financial accounting and reporting.

While we support the overall notion of anchoring measurement in entry and exit prices, we believe that these frameworks can be more succinctly described, especially as it relates to the notion of entity-specific exit price (as further described in our response to Question 4) and the discussion of the allocation of entry price costs in paragraphs M10 to M11 (as further described in our response to Question 3).

We do not believe that the Conceptual Framework should pre-suppose which price system should be utilized to measure specific assets and liabilities. Rather, we believe that this decision should be determined at the standards level. The proposed Concepts Statement attempts to draw distinctions between the nature of the asset or liability. However, we do not necessarily agree, for example, that all assets with similar exit prices (such as commodities) yield value to the reporting company based upon their market participant prices such that an exit price measurement system would provide the most relevant information (as described in paragraph M32) when they are used in the production of goods. We believe this is further exacerbated for publicly-traded financial liabilities, which may have readily determinable market participant exit prices but nonetheless are not expected to be settled prior to maturity at an exit price.

Additionally, we disagree that a liability should not be reported at less than what it is settleable for, by transfer or satisfaction over an expected benefit period, as described in paragraph M12. We do not believe that this is a workable concept for liabilities that are not remeasured at exit price each period. See our response to Question 1 for further detail.

We also believe it may be helpful to retain elements of Concepts Statement No. 7 in a practice aid, as we have observed in our experience that it is frequently used in practice, particularly when there is uncertainty in the amount and timing of the future cash flows being used to determine the value of an asset or liability.

We have included detailed responses to the Questions for Respondents in the Appendix to this letter.

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If you have any questions regarding our comments, please contact Jay Seliber at jay.seliber@pwc.com or Thomas Barbieri at thomas.barbieri@pwc.com.

Sincerely,

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Appendix

**Question 1: Do you agree with the proposed underlying premise that to have predictive value the reported amounts of assets should not be more than what is recoverable, by disposition or use, and the reported amounts of liabilities should not be less than what is settleable, by transfer or satisfaction? Please explain why or why not.**

We agree with the premise that for assets to have predictive value, the reported amounts should not be more than what is recoverable. However, as noted in our cover letter, we disagree with the proposed premise that the reported amounts of liabilities should not be less than what is settleable, by transfer or satisfaction.

To illustrate, liabilities recorded using entry prices are not typically written up to subsequently higher prices based on the amounts necessary to settle or satisfy the obligation with the counterparty or transfer the obligation to a third party as of the reporting date. Some liabilities cannot be settled prior to a date in the future and cannot be transferred to another party. In these circumstances, we do not believe that measuring the liability at an amount that assumes satisfaction or transfer at the balance sheet date would result in more meaningful predictive information. Furthermore, even if there is an ability to transfer the liability to a third party or to settle the liability prior to maturity at a premium (such as a prepayment penalty or call premium), recognizing the liability at this higher exit value at the reporting date would not provide predictive value.

For example, zero coupon debt may be recorded at its entry price, at an amount that is less than its par (satisfaction) value. If market interest rates decline prior to maturity, the fair value of the debt would increase. As a result, the transfer value will be higher than the carrying value, and the satisfaction (par) value will also be higher, but we do not believe that there is conceptual basis to increase the liability to either of these amounts at reporting dates prior to maturity. In other words, we believe a carrying amount lower than the amount at which the liability may be transferred or settled is appropriate in this case.

We also note that the "transfer" price (representing the price that must be paid to a third party to assume a liability) and the "settlement" price (representing the price that must be paid to the counterparty to satisfy a liability) are typically different amounts. We believe that this could be made clearer in the Concepts Statement, as presently the wording consistently refers to transferring or settling (or satisfying) a liability without highlighting the potential difference.

**Question 2: Do you agree that measurement is anchored in prices, as described in paragraphs M5 and M6? Do you also agree that transactions and other events and circumstances affecting the entity should ultimately be measured in prices (entry prices and exit prices)? Please explain why or why not.**

We agree that initial measurement is typically anchored in prices (or estimated prices). This premise was extensively debated in the development of FAS 157, *Fair Value Measurements*, which is codified in ASC 820. ASC 820 defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." Fundamentally, fair value is anchored in prices, and a sale or transfer is anchored in prices, when applicable. However, while true for assets and liabilities subsequently measured at fair value, subsequent measurement is not always anchored in prices. For example, liabilities may contain settlement amounts that are not necessarily anchored in current prices but were negotiated between counterparties at inception of the agreement. Additionally, other measurements in GAAP, including credit losses and probable and estimable amounts, are not anchored in prices.

**Question 3: Do you agree with the proposed description and features of the entry price system as described in paragraphs M10–M14? Please explain why or why not.**

We agree with the premise in paragraph M11 that decisions about specific allocation requirements for the initial entry price should be determined at the standards level, and therefore recommend that subsequent measurement of entry prices not be addressed in this Concepts Statement.

If retained in the final Concepts Statement, however, we believe this section should be revised to more clearly articulate how this system is intended to be used. In particular, we believe that paragraphs M10 and M11 may create confusion about subsequent measurement (as paragraph M10 describes allocation as resulting in an "adjusted entry price" but paragraph M11 indicates that the amortized amount does not approximate an entry or exit price) and what amortization or allocation is meant to reflect. In current practice, entry price is often aligned to an amortized cost or historical cost approach for subsequent measurement, particularly for assets. However, we observe that systematic amortization or accretion is not always intended to allocate a portion of the total entry price to reporting periods. For example, accretion or amortization is often intended to adjust the entry price of a liability over time to an expected settlement amount (which is an exit price concept).

**Question 4: Do you agree with the proposed description and features of the exit price system as described in paragraphs M15–M19? Please explain why or why not.**

The concept of an entity-specific exit price contradicts how fair value is defined in ASC 820, which requires the use of market participant rather than entity-specific assumptions. Acknowledging that entity-specific exit price may not be intended to correlate to fair value, we believe that articulating more clearly the two components in the Board's definition of exit price will make this section more understandable.

For example, entity-specific exit price may be more understandable in the case of a nonmonetary liability (such as a product warranty obligation) that the reporting entity will satisfy by incurring certain costs to fulfill its obligation – as opposed to settling a monetary liability or transferring the liability by paying a third party to assume the liability. Including examples could help with clarifying the intent of an entity-specific exit price.

Overall, we recommend simplifying the discussion to clearly identify the key components of the exit price system and keep the discussion conceptual. For example, paragraphs M15 and M17, which address the subsequent accounting for changes in prices and the accounting for transaction costs (which typically are not components of an exit price), include specific accounting guidance that we believe should be addressed at the standards level.

Lastly, we do not understand the conceptual basis for the last sentence in paragraph M22 that indicates that an ongoing determination of exit price to determine the current value each period can utilize a historical discount rate even though the cash flows are being updated to current estimates. As a result, we would suggest clarifying the conceptual basis for it or removing it entirely.

**Question 5: Do you agree that the entry price and exit price systems, as explained in paragraph M7, are the only two relevant and representationally faithful measurement systems that would meet the objective of general purpose financial reporting? Please explain why or why not.**

We do not agree with the statement that the entry price and exit price systems are the only two relevant and representationally faithful measurement systems. We recognize that entry price and exit price are the primary systems but believe that there are other measurement systems used in practice today. For example, the cumulative probability approach described in ASC 740 for uncertain tax positions would not reflect either an entry price or exit price measurement system. Making such a definitive statement in the Conceptual Framework may limit flexibility at the standards level.

**Question 6: Do you agree that the entry price system would likely result in more relevant measurements when entities have unique exit prices for the same asset or liability? Please explain why or why not. (See paragraph M31.)**

We believe circumstances may exist when unique exit prices can be more relevant for users. For example, warranty obligations would have a unique exit price for each entity selling similar products; however, we believe that the entity-specific exit price would have more relevance to users than entry prices. As a result, we do not agree with trying to prescribe when the entry or exit price should be used for subsequent measurement in this Concepts Statement. We believe those decisions should be made at the standards level.

**Question 7: Do you agree that the exit price system (specifically, an exit price that incorporates market participant cash flows) would likely result in more relevant measurements when entities have the same exit price for the same asset or liability? Please explain why or why not. (See paragraph M32.)**

As noted in our cover letter, we do not necessarily agree that exit price systems would always result in more relevant measurements when entities have the same exit price. There can many situations whereby an entity's intended use or expectation with an asset or liability may be more relevant to users. As a result, we do not agree with trying to prescribe when the entry or exit price should be used for subsequent measurement in this Concepts Statement, as we believe those decisions should be made at the standards level.