

May 15, 2025

Technical Director  
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RE: File Reference No. 2025-ITC100

We appreciate the opportunity to provide feedback on the Invitation to Comment (ITC), *Agenda Consultation*, dated January 3, 2025. The purpose of the ITC is to solicit broad stakeholder feedback about the future standard-setting agenda of the Financial Accounting Standards Board (FASB).

The views expressed herein are written on behalf of the Professional Standards Committee (PSC) of the Texas Society of CPAs (TXCPA). 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.

As the TXCPA primarily represents preparers and auditors of financial statements, our feedback on the ITC is provided from that perspective. The PSC would like to make the following observations.

### **Equity Method of Accounting**

The PSC believes the equity method of accounting is complex and costly to apply. Benefits of applying this accounting method may differ depending on the industry and the nature and purpose of the investment. For example, some of our stakeholders dealing with real estate investments observed that the equity method does not provide decision-useful information. As a result, the PSC would be generally supportive of eliminating the equity method with the caveat that additional disclosures may be required in some industries for significant equity investments. If the Board decides to keep the equity method of accounting, the PSC would support an elective option where entities can account for these investments under Topic 321, Investments-Equity Securities.

### **Definition of Common Control**

The PSC believes that the increasing prevalence of private equity investments along with family businesses and companies opting to stay private rather than going public have resulted in the need for a definition of common control to improve the operability of GAAP.



### **Distinguishing Liabilities from Equity**

The PSC believes the guidance for distinguishing between contracts that are classified as equity and contracts that are classified as liabilities is overly complex, resulting in unproductive work by preparers and auditors and often resulting in questions from regulators. This is exacerbated by differing guidance available from both GAAP and the SEC to address these complex structured transactions. To address these issues, the PSC recommends developing a clearer line to distinguish between liabilities and equity that would result in more contracts classified as equity. In addition, the PSC believes there are opportunities to look at both the indexation guidance and the settlement guidance. However, the PSC would be supportive of the Board focusing their efforts on simplifying the indexation guidance, as bigger issues appear to be in this area.

We appreciate the opportunity to submit comments on the Invitation to Comment (ITC), *Agenda Consultation*.

Sincerely,

A handwritten signature in cursive script that reads "Jeffrey L. Johanns".

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