April 14, 2020

Director of Research and Technical Activities
Project No. 3-34
Governmental Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

Submitted via e-mail to director@gasb.org

Re: Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements; Notes to Financial Statements

Dear Director of Research and Technical Activities:

The Virginia Society of CPAs (VSCPA) Accounting & Auditing Advisory Committee (the Committee) has reviewed the proposed Exposure Draft, Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements; Notes to Financial Statements, issued by the Governmental Accounting Standards Board (the Board). The VSCPA is a leading professional association dedicated to enhancing the success of all CPAs and their profession by communicating information and vision, promoting professionalism, and advocating members’ interests. The VSCPA membership consists of more than 13,000 individual members who actively work in public accounting, private industry, government and education. We appreciate the work the Board has undertaken on this effort and the opportunity to respond to this proposed statement.

Overall, the Committee agrees strongly with the Board’s overall conclusion to limit required disclosures to only those that are essential to users of the financial statements where the expected benefits of disclosures exceed the perceived costs. While we understand that new disclosures may also be identified by the Board as being essential to users, we believe a significant amount of the disclosures currently required are not essential to most users. We further believe a net reduction in the volume of disclosures and simplification, wherever possible, will improve the understandability and timeliness of general purpose external financial reports.

In paragraph seven, the Board states that notes to the financial statements are essential to users in making economic, social, or political decisions. We caution the Board to reconsider inserting the concepts of social and political decision making into the determination of essentiality, which are inherently subjective by their nature and prone to bias. If the Board determines social and political uses of financial statements to be too important to ignore, it should consider defining the applicability of those considerations as it did in paragraph 32 of GASB Concept Statement 1, Objectives of Financial Reporting.

A challenge the Board may encounter as it begins the process of evaluating disclosures for essentiality is considering the wide array of potential users of financial statements. It is our opinion that, for general purpose external financial reports, the Board should focus on disclosures that are essential to general user groups, such as citizens, investors, creditors and governing bodies. The specific needs of individual special-interest advocacy groups should not be considered essential, particularly since most governments have freedom of information laws in place to assist these groups in obtaining public financial information relevant to their cause.

Again, the VSCPA appreciates the opportunity to respond to this Exposure Draft. Please direct any questions or concerns to VSCPA Senior Director of Learning, Linda Newsom-McCurdy, CAE, at newsom-mccurdy@vscpa.com or (804)612-9421.
Sincerely,

Bo Garner, CPA  
Chair

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