



Susan Cospers  
Technical Director  
Financial Accounting Standards Board  
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U.S.A.  
**(Submitted via e-mail smcospers@fasb.org)**

July 15, 2014

**Re: Accounting Standards Update 2014-09: Revenue from Contracts with Customers  
(Topic 606)**

Dear Ms. Cospers,

Congratulations on completing and issuing the new model for Revenue from Contracts with Customers. We are supportive of these efforts to move toward one principles-based, universal standard and congratulate you on your success. We are committed to strong corporate governance and recognize the need to simplify accounting guidance related to Revenue from Contracts with Customers. This letter represents Cadence's view.

We develop software, hardware and intellectual property which are used by semiconductor and electronic system customers to develop and design integrated circuits and electronic devices. We license our software, and two categories of intellectual property, or IP, commonly referred to as verification IP, or VIP, and Design IP. In addition, we sell and lease hardware technology. We provide maintenance for our product offerings and provide engineering services related to methodology, education, and hosted design solutions which help customers manage and accelerate their electronics product development processes. We are headquartered in San Jose, California, with sales offices, design centers, and research facilities around the world to serve the global electronics industry. We employ approximately 5,700 individuals worldwide.

Although we have been planning for this new revenue model as it was evolving, it was not possible to completely plan for potential changes to our business until the final standard was issued in May 2014. In addition, it is clear that we have many conclusions to reach regarding the impact of this new revenue model on our financial statements. Our industry and our auditors also have to come to the same conclusions regarding the impact of this new revenue model. This is evident by the task forces that are just now established to meet and come to agreement on understanding the new revenue model and its impacts on various industries. Once these conclusions are reached, we will then be required to assess and update policies and our control environment, to hire resources, and to change information systems.



Functionality will need to be created to allocate revenue to multiple elements, based on relative selling prices, which will be recognized over different periods of time and may be different than amounts stated in the various contracts that constitute a multiple-element arrangement. These differences cause many system level issues regarding processing, invoicing, sales tax and income tax, among others, that our current systems cannot handle. Based on our experience upon adoption of ASU No. 2009-13, *Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements – a consensus of the FASB Emerging Issues Task Force*, and ASU No. 2009-14, *Software (Topic 985): Certain Revenue Arrangements that Include Software Elements – a consensus of the FASB Emerging Issues Task Force*, we will need to create an in-house solution for the necessary functionality.

In addition, a large amount of our revenue transactions are three year agreements. As the time period from issue date to transition date is less than three years, it is not possible for us to make changes to certain of our contracts that will be effective on the transition date in an effort to avoid the potential issue of never recognizing some revenue in our financial statements under the prospective transition model.

Based on the discussion above and to help all companies and industries implement the new requirements in a cost effective manner and control-based environment, Cadence requests that the Board defer the effective date of this new standard by a minimum of one year so that the effective date no earlier than for fiscal years beginning after December 15, 2017.

We would be pleased to respond to any questions or comments you may have regarding this matter.

Yours sincerely,

A handwritten signature in black ink, appearing to read "G. Sean Sobers".

**G. Sean Sobers, CPA (inactive)**  
**Corporate Vice President and Controller**

cc: Marc Siegel, FASB Board Member