



November 4, 2014

Ms. Susan M. Cospers
Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

File Reference No. 2014-230

Dear Ms. Cospers:

McGladrey LLP is pleased to comment on the Proposed Accounting Standards Update, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40), Customer's Accounting for Fees Paid in a Cloud Computing Arrangement* (the "proposed Update"). We are supportive of the Board's overall efforts to reduce complexity in accounting standards and address a customer's accounting for fees paid in a cloud computing arrangement. Our responses to the "Questions for Respondents" on which specific comment is sought are included below for your consideration.

Comments on Certain Questions for Respondents

Question 1: *Should a customer in a cloud computing arrangement evaluate whether the arrangement involves a software license by applying the criteria in paragraphs 350-40-15-4A through 15-4C? If not, what guidance should be applied and why?*

We agree that the criteria in paragraphs 350-40-15-4A through 15-4C should be applied by a customer in a cloud computing arrangement to evaluate whether the arrangement involves a software license. These criteria are generally consistent with those in paragraphs 985-605-55-121 through 55-123 that must be considered by a vendor when evaluating revenue recognition in these arrangements and we believe this consistency will make application of the guidance simpler.

Question 2: *Should an entity be permitted to elect prospective or retrospective transition?*

We agree that allowing an entity to adopt the proposed Update on either a prospective or retrospective basis is appropriate.

Question 3: *Should the amendments in this proposed Update be effective for:*

- a. *Public business entities for annual periods, including interim periods within those annual periods, beginning after December 15, 2015, with early adoption permitted?*
- b. *All other entities for annual periods beginning after December 15, 2015, and interim periods in annual periods beginning after December 15, 2016, with early adoption permitted?*

We agree with the proposed effective dates and with permitting early adoption.

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We appreciate this opportunity to provide feedback on the proposed Update and would be pleased to respond to any questions the Board or its staff may have concerning our comments. Please direct any questions to Rick Day at 563.888.4017 or Brian H. Marshall at 203.312.9329.

Sincerely,

A handwritten signature in cursive script that reads "McGladrey LLP".

McGladrey LLP