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Technical Director
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Re: 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 Accounting Principles and Assurance Services Committee of the California Society of CPAs is pleased to respond to the August 20, 2014 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* on behalf of the California Society of CPAs.

The Accounting Principles and Assurance Services Committee ("Committee") of the California Society of Certified Public Accountants ("CalCPA") is the senior technical committee of CalCPA. CalCPA has approximately 40,000 members. The Committee includes 53 members, of whom 47 percent are from local or regional firms, 27 percent are from large multi-office firms, 12 percent are sole practitioners in public practice, 10 percent are in academia and 4 percent are in international firms. Members of the Committee are with firms which serve a large number of public and nonpublic business entities, as well as many nonbusiness entities such as NFPs, pension plans, and governmental organizations.

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?

The Committee agrees with the Board's proposal and believes a customer in a cloud computing arrangement should evaluate whether the arrangement involves a software license by applying the criteria in paragraphs 350-40-15-4A through 15-4C.

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

Yes, the Committee agrees with the choice of prospective or retrospective application. However, the Committee suggests that early application be mandated for entities entering into a significant cloud computing arrangement for the first time after the publication of the final Update; they should be required to follow its provisions for that arrangement and any subsequent arrangements.

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?

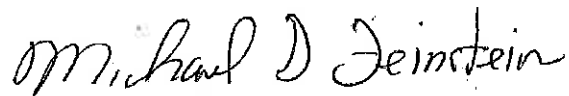
b. All other entities for annual periods beginning after December 15, 2015, and interim periods in annual periods beginning after December 15, 2016, with early adoption permitted?

The Committee does not see a need for different effective dates for public business entities and other entities, and suggests that all entities follow the implementation date proposed for public business entities.

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We thank you for the opportunity to comment on this matter. We would be glad to discuss our opinions with you further should you have any questions or require additional information.

Very truly yours,

A handwritten signature in cursive script that reads "Michael D. Feinstein".

Michael D. Feinstein, Chair
Accounting Principles and Assurance Services Committee
California Society of Certified Public Accountants