



American Institute of CPAs  
220 Leigh Farm Road  
Durham, NC 27707-8110

November 15, 2014

Susan M. Cospers, CPA  
Technical Director  
FASB  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856-5116

**Re: August 20, 2014 Exposure Draft of a Proposed Accounting Standards Update (ASU), *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement* [File Reference No. 2014-230]**

Dear Ms. Cospers:

One of the objectives that the Council of the American Institute of Certified Public Accountants (AICPA) established for the PCPS Executive Committee is to speak on behalf of local and regional firms and represent those firms’ interests on professional issues in keeping with the public interest, primarily through the Technical Issues Committee (TIC). This communication is in accordance with that objective. These comments, however, do not necessarily reflect the positions of the AICPA.

TIC appreciates the Board’s efforts in undertaking a Simplification Initiative to eliminate costly or complex requirements in current GAAP that have not proven relevant to financial statement users.

### **GENERAL COMMENTS**

TIC fully supports the ED, which provides a clear distinction between a customer’s accounting for a purchased software license and a service contract for software.

### **SPECIFIC COMMENTS**

**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?*

TIC agrees with the proposed guidance, which is generally consistent with current practice when vendors separate software license fees from service fees on customer invoices. In those cases, customers are likely to capitalize the software license as an intangible asset and expense the cost of the service contract as incurred.

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

Yes.

**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?*

TIC agrees with the effective date, including the option for early adoption of the final standard.

TIC appreciates the opportunity to present these comments on behalf of PCPS member firms. We would be pleased to discuss our comments with you at your convenience.

Sincerely,



Scot Phillips, Chair  
PCPS Technical Issues Committee

cc: PCPS Executive and Technical Issues Committees