



November 18, 2014

Susan M. Cospers, Technical Director  
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Via Email to [director@fasb.org](mailto:director@fasb.org)

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**Re: File reference number 2014-230**

Dear Ms. Cospers:

Grant Thornton LLP appreciates the opportunity to comment on Proposed Accounting Standards Update, *Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*. We support the Board's efforts to eliminate diversity in practice and to simplify customer accounting for cloud computing arrangements.

Our responses to the Questions for Respondents follow.

### **Responses to 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 support the use of criteria in paragraphs 350-40-15-4A through 15-4C to determine whether a customer obtains access to internal-use software in a hosting arrangement and believe that most aspects of the guidance will be relatively straightforward to apply. One area that might present a challenge to the customer is the requirement to evaluate whether it is feasible for the customer to run the software on its own and whether there will be a diminution of value if the customer takes possession of the software. We believe that this assessment is easier from the standpoint of the vendor, who has greater knowledge of the software. A customer would need to gain an understanding of the technical aspects of the software that it might not otherwise need in order to make this assessment.

We also recommend that the FASB replace the reference to "contract accounting" in paragraph 350-40-15-4c with updated terminology, because "contract accounting" is a concept that will be superseded by the amendments in ASU 2014-09, *Revenue from Contracts with Customers*.

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

In order to promote financial statement comparability, we believe that the Board should require either prospective or retrospective transition rather than provide entities with an option.

**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?**

While we generally favor longer implementation periods for changes that require the acquisition of new skills, systems modifications, and design and implementation of internal controls over the financial reporting process, we believe that this change should not require substantial changes to implement. Therefore, we believe that the proposed effective dates are appropriate and that early adoption should be permitted.

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We would be pleased to discuss our comments with you. If you have any questions, please contact Mark Scoles or Lynne Triplett, Partners in the Accounting Principles Consulting Group, at 312-602-8780 or 312-602-8060, respectively.

Sincerely,

/s/ Grant Thornton LLP