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May 28, 2015

Via email to director@fasb.org

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

Re: Proposed Accounting Standards Update, Revenue from Contracts with Customers (Topic 606): *Deferral of the Effective Date* (File Reference No. 2015-240)

Dear Ms. Cosper:

We are pleased to have the opportunity to provide comments on the Board's proposal to defer the effective date of the new revenue recognition standard.

One of the key purposes of the converged standard is to improve comparability of revenue recognition practices across entities and industries throughout different jurisdictions. While comparability is an objective of almost any standard, it is particularly true of revenue recognition. This has been evident in the extensive due process and implementation efforts associated with the new standard, including the oversight of these matters by the Boards and regulators.[1]

While not all implementation issues are of equal importance, we are aware of a large number of unresolved questions throughout the standard that stakeholders have raised, many of which have been submitted to the Transition Resource Group (TRG). Similarly, we are aware of different perspectives that exist about what constitutes an acceptable level of diversity that may be reached in practice based on good faith judgments once the standard is adopted. We believe that is the fundamental issue in determining the appropriate length of a deferral of the revenue standard's effective date.

That is, if a consensus emerges from the feedback to this exposure draft and the discussions held at the next two scheduled TRG meetings that the most significant interpretive questions have been addressed such that the Boards are positioned to determine which additional topics, if any, require standard-setting, and such revisions to the standard are minimal, then a one year deferral may be appropriate. We believe this would include a conscious decision by all participants in the financial reporting community (i.e., users, standard setters, regulators, preparers and auditors) that many valid, but less significant questions would be left to the judgment of practitioners in the context of this principles-based standard.

[1] See for instance, the remarks of James Schnurr, Chief Accountant in the Office of the Chief Accountant before the 2014 AICPA National Conference on Current SEC and PCAOB Developments.

On the contrary, if the number of unresolved valid, but less significant questions precludes such a consensus, then we encourage the Board to consider the possibility of a two-year deferral for all entities, not only those that plan to adopt the standard retrospectively. Similarly, if any changes to ASC 606 are significant, require a lengthy comment period before they are finalized, or are not easily understood, then we believe a deferral period longer than one year could be needed. This would avoid a rushed implementation by preparers in various industries, including AICPA volunteer task forces. As such, we believe there is a reasonable likelihood that a two year deferral may be warranted.

For example, there are questions about when and how to apply the guidance on significant financing components that primarily affect vendors with long-term contracts; however, those questions are not expected to impact industries with short term transactions, e.g., retail sales. Likewise, certain sectors of the software industry have not yet concluded whether specific types of software licenses will result in a point-in-time or over-time revenue recognition pattern; however, such questions are not of equal concern to manufacturing and distribution entities.

We mention these examples to highlight the notion of “diminishing returns” that we believe drives the appropriate length of the deferral. In that context, we believe the Boards are appropriately identifying the highest priority issues[2] and are addressing the list of important, but less pervasive issues. After the November TRG meeting, we believe the Boards will reach a point of reflection to determine the appropriate length of the deferral.

Whether one year or two, we support permitting early adoption based on the original effective dates of the new revenue standard.

We appreciate the opportunity to provide feedback on the proposed ASU and would be pleased to discuss our comments with the FASB staff. Please direct questions to Adam Brown at (214) 665-0673 or Ken Gee at (415) 490-3230.

Very truly yours,

BDO USA, LLP

BDO USA, LLP

[2] For example, issues such as identifying distinct performance obligations and determining the nature of an intellectual property license.