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May 28, 2015

Technical Director
Financial Accounting Standards Board
401 Merrit 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 Technical Director:

We appreciate the opportunity to comment on the proposed Accounting Standards Update, *Revenue from Contracts with Customers (Topic 606) Deferral of the Effective Date* (the Proposed ASU). Because some of the FASB activities intended to amend and clarify the guidance in ASC Topic 606 are fundamental to application of the model, we believe a one-year deferral of the required effective date is appropriate. Many entities, particularly those whose accounting policies and disclosures will be significantly impacted and those awaiting further clarifications from the Board, may need the extra year to effectively develop and implement changes to their accounting policies, systems, processes, and internal controls to apply the standard. We also agree with the Board’s proposal to allow entities to adopt the new standard as of the original effective date.

With respect to the transition guidance in ASC Topic 606, there may be confusion about the determination of whether a contract is open or closed under legacy GAAP. ASC paragraph 606-10-65-1(c)(2) refers to the entity having transferred all of the goods or services identified under the revenue guidance that is in effect before the date of initial application when determining whether a contract is open or closed as of the initial application of ASC Topic 606. However, transfer of control of identified goods or services is not necessarily the basis on which revenue recognition is determined under existing GAAP. For example, an entity may have transferred all goods or services to the customer but concluded that collectibility was not reasonably assured or that the amounts due were not fixed or determinable. As a consequence, the entity may have been recognizing revenue on a cash (or due-and-payable) basis. As currently worded, ASC paragraph 606-10-65-1(c)(2) could lead to a conclusion that this contract is closed for purposes of applying the transition guidance and therefore no cumulative effect adjustment would be recognized. Under that conclusion, the contract could not be evaluated under ASC Topic 606 because it was closed under previous GAAP. However, the subsequent cash receipts would appear to not qualify for revenue recognition under ASC Topic 606 nor under legacy GAAP (since the contract is deemed to be closed at transition). We believe it would be more appropriate to consider whether all of the revenue had been recognized under previous GAAP for purposes of determining whether a contract is open or closed



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upon transition to ASC Topic 606 and we suggest that the FASB consider adding this clarification to the transition guidance when it finalizes any amendment to the effective date of ASC Topic 606.

If you have any questions about our comments or wish to discuss any of the matters addressed herein, please contact Brian Allen (212) 954-3621 or Mark Bielstein at (212) 909-5419.

Sincerely,

KPMG LLP

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