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2015-240  
Comment Letter No. 37

Ms. Susan M. Cospers  
Technical Director  
Financial Accounting Standards Board  
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Norwalk, CT 06856-5116

29 May 2015

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

Dear Ms. Cospers:

We appreciate the opportunity to comment on the proposed Accounting Standards Update (ASU), *Revenue from Contracts with Customers (Topic 606) – Deferral of the Effective Date* from the Financial Accounting Standards Board (FASB or Board).

We support the Board's proposal to defer the effective date of the guidance in ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, by one year, which would help entities that need extra time to diligently implement the standard. We also support allowing entities to early adopt the guidance as of the original public entity effective date.

Our Appendix contains responses to the questions raised in the proposal.

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We would be pleased to discuss our comments with the Board or its staff at your convenience.

Very truly yours,

cc: International Accounting Standards Board

**Appendix – Responses to questions posed in the proposed ASU, *Revenue from Contracts with Customers (Topic 606)* – *Deferral of the Effective Date***

**Question 1:** Should the effective date of the guidance in Update 2014-09 be deferred for one year for public business entities, certain not-for-profit entities, and certain employee benefit plans? Please explain why.

We support a one-year deferral of the effective date for public business entities, certain not-for-profit entities, and certain employee benefit plans (public entities). A one-year deferral would help entities needing extra time to implement the standard diligently and would allow them to:

- ▶ More fully develop accounting policies
- ▶ Procure and implement more complete information technology systems
- ▶ Better update processes and internal controls prior to the effective date and
- ▶ Better understand and apply the Board’s proposed amendments to the guidance, including clarifications to the accounting for licenses of intellectual property and identifying performance obligations (if applicable)

In addition, a one-year deferral would compensate for the delay in the issuance of the final standard after the Board had set the original effective date.

A one-year deferral would give a larger number of public entities more time to retrospectively apply the guidance to each reporting period presented. We understand the original effective date may have discouraged some public entities from selecting the retrospective transition approach because they may have needed to apply the guidance to customer contracts beginning as early as 15 December 2014.

**Question 2:** Should the effective date of the guidance in Update 2014-09 be deferred for one additional year for all other entities? Please explain why.

We support the Board’s proposal to defer the effective date of the guidance for one year for all other entities. We share the views expressed in the exposure draft that these entities would benefit from the experiences of public entities that adopt the guidance earlier and additional resources that may be made available after those that adopt earlier have completed their implementation.

**Question 3:** In addition to providing a one-year deferral of the effective date of the guidance in Update 2014-09, should the Board also provide an optional two-year deferral for all entities that apply that guidance retrospectively to each reporting period presented? Please explain why.

Extending the implementation period for an additional year to allow entities to implement more complete information technology systems and related controls and processes prior to the beginning of the earliest period presented may provide for a more orderly transition to the new standard and might

increase the number of entities electing the retrospective transition approach. However, that additional flexibility would expand the number of implementation options and extend the period for potential comparability differences.

In making its decision, the Board should weigh these competing factors and should consider the effect on multinationals with reporting obligations under both US GAAP and IFRS. Continued alignment of the effective date of the revenue standards would be beneficial to these constituents and their stakeholders.

**Question 4:** Should earlier application of the guidance in Update 2014-09 be permitted as of the effective date originally included in Update 2014-09? Please explain why.

We support permitting earlier application of the guidance as of the public entity effective date originally included in ASU 2014-09. The option to early adopt would allow those entities that have moved forward and made significant progress on implementing the guidance by that effective date to continue with their plans. Without this option, those entities would likely be subject to increased implementation costs resulting from an extended implementation period.