

May 29, 2015

To: Technical Director
Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

Via Email: director@fasb.org

From: Tim Chatting

Re: File Reference No. 2015-240

Thank you for the opportunity to comment on the Proposed Accounting Standards Update, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*. I am a preparer of financial statements for a publicly held company in the technology industry with annual revenue of approximately \$4 billion. My current role is focused on accounting policy and implementation of accounting standards updates, concentrating largely on Update 2014-09 since its issuance. The views provided in this comment letter are my own and do not necessarily represent those of my employer.

Responses to the Board's specific questions are provided below.

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.

Response to Question 1: Yes, the effective date should be deferred at least one year. The delay in issuing Update 2014-09 justifies a deferral of one year. Furthermore, the lack of a final standard and evolving interpretations regarding the standard make it difficult to conclude on accounting policies. Efforts to date have proven that the new standard is challenging to implement given the level of cross-functional coordination that is required. Adequate time will be needed to address processes, controls, information systems, and training once company-specific accounting positions are finalized. A deferral of one year may not be enough time.

Furthermore, the extent to which the forthcoming lease accounting standards update could affect lessors' processes and systems is not clear at this time. Implementation costs may be reduced if companies are able to analyze contracts and make the necessary process and systems changes at one point in time rather than first implementing the new revenue recognition standard and later implementing the changes to the leasing guidance.

I believe a two-year deferral in the effective date for all entities, regardless of the transition method selected, is warranted in light of the concerns above.

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.

Response to Question 2: If deferral for one additional year is provided for private companies, but not public companies, relief may be needed for public companies that acquire private companies that haven't implemented the new standard. It seems impracticable that the implementation of Update 2014-09 could take place between the date of acquisition and the subsequent reporting date in some instances. Permitting the public company acquirer to identify and account for the effects of the new standard on the acquiree within a reasonable period of time, similar to the measurement period under current guidance, is one idea for providing such relief during the transition period.

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.

Response to Question 3: Yes, the Board should allow a two-year deferral for all entities that apply the guidance retrospectively. Adequate time is needed to test and implement the functionality in new software, including versions to be released later in the transition period. The ability to run parallel systems for all years being retrospectively adjusted is considered preferable for audit purposes and internal control over financial reporting and will likely improve comparability of year-to-year financial results. The ability to run parallel systems for all years should also help ensure that the data needed for disclosure purposes is captured and maintained. In addition to system considerations, a two-year deferral would also allow for ‘deep dives’ to occur on a broader population of contracts, which may also improve the quality of year-to-year comparisons.

Alternatively, the Board could permit application of the guidance retrospectively to only the prior year immediately preceding the effective date rather than all years presented in the financial statements. This would obviously need to be coordinated with SEC filing requirements, perhaps temporarily removing disclosures in the year of adoption that compare the results of the first prior year and the second prior year. This approach may alleviate the concerns above, but would still avoid the need to discuss an accounting change factor in MD&A and quarterly earnings releases that could occur under the cumulative effect transition approach.

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.

Response to Question 4: Yes, Update 2014-09 will surely affect companies in different ways depending on the number of revenue streams, the level of complexity in each revenue stream, and the resources available for implementation. Additional flexibility in the date of adoption is needed for this reason. Companies that can be ready by the original effective date should not be forced to incur additional and unnecessary costs.

Regards,

Tim Chatting, CPA