

Question Text	Response	Status
* Please select the type of entity or individual responding to this feedback form.	Preparer	Completed
Other, please specify (Specified)		
* Please provide contact information for any follow-up questions.	(Filled in as Follows:)	Completed
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Does the proposed addition of paragraphs 606-10-55-3A through 55-3C, as well as the addition of new examples, clarify the objective of the collectibility threshold? If not, why?		Completed
Paragraph 606-10-25-7(c) was proposed to provide clarity about when revenue should be recognized for a contract that does not meet the criteria in paragraph 606-10-25-1. Does this proposed amendment improve the clarity		Completed

<p>of applying the guidance? If not, why?</p>		
<p>The collectibility criterion in paragraph 606-10-25-1(e) refers to collectibility being probable, which is defined in Topic 606 as “likely to occur.” If the Board were, instead, to refer to collectibility being “more likely than not,” which would result in a converged collectibility criterion with IFRS, would the amendment improve the collectibility guidance in Topic 606? Explain your response.</p>		<p>Completed</p>
<p>Paragraph 606-10-32-2A provides a policy election that would permit an entity to elect to exclude all sales (and other similar) taxes collected from customers from the transaction price. Does this proposed amendment reduce the cost and complexity of applying Topic 606? If not, why?</p>		<p>Completed</p>
<p>Revisions to paragraph 606-10-32-21 and the related example specify that noncash</p>		<p>Completed</p>

<p>consideration should be measured at contract inception. Does this proposed amendment improve the clarity of applying the guidance? If not, why?</p>		
<p>Revisions to paragraph 606-10-32-23 clarify that the guidance on variable consideration applies only to variability in noncash consideration resulting from reasons other than the form of the consideration. Would the proposed amendments improve the clarity of applying the guidance? If not, why?</p>		<p>Completed</p>
<p>Paragraph 606-10-65-1(f)(4) provides a practical expedient for contract modifications at transition. Would the proposed amendment reduce the cost and complexity of applying Topic 606? If not, why?</p>		<p>Completed</p>
<p>Revisions to paragraph 606-10-65-1(c)(2) clarify that a completed contract is a contract for which</p>	<p>It is common for companies in the biotech industry to enter into contracts with pharma companies for the development of new medicines. Such contracts often contain performance obligations, such as a license to the biotech's underlying intellectual property and research and development services to be provided by the biotech company. Consideration under</p>	<p>Completed</p>

<p>all (or substantially all) of the revenue was recognized under revenue guidance in effect before the date of initial application. Does this proposed amendment clarify the transition guidance? If not, why and what alternative would you suggest?</p>	<p>such contracts often includes an upfront payment by the pharma company, payment for R&amp;D services on a rational basis (e.g., FTE) as well as payments to the biotech company upon the achievement of defined regulatory or developmental milestones and, royalty payments on sales if the drug is approved for marketing by the regulatory authorities.</p> <p>Under ASU 606, milestone and royalty payments are considered to be variable consideration since, at inception of the contract, the achievement of the events leading to those payments is out of the control of the biotech company and is highly uncertain. It is, therefore, probable that any such consideration included in the transaction price at inception would be reversed. Revenue for variable consideration is recognized when the related performance obligation is satisfied and it is probable that there will not be a significant reversal of revenue recognized in future periods. Events leading to milestone and royalty payments are not considered to be performance obligations since they are not promised by the biotech company.</p> <p>The proposed guidance for determining which contracts are considered to be complete at the transition date and, therefore, are not subject to applying the transition provisions requires that all (or almost all) of the revenue that could possibly be recognized under a contract be recognized under legacy GAAP by the transition date. The proposed guidance does not take into account the situation in which at the transition date, the biotech company has delivered all promised goods and services (e.g., the IP license and the R&amp;D services) and, perhaps, some milestones have been achieved, for all of which revenue has been recognized under legacy GAAP. Under the proposed guidance, the contract might be considered to be complete and, therefore, might not be subject to the transition provisions.</p> <p>However, at the transition date, additional potential milestone payments and royalty payments on sales (both of which may involve substantial amounts), for which revenue would be recognized in the future if such events were to occur, have not yet occurred, the likelihood of their occurrence is unknown to the biotech company, and may never occur. The achievement of such events is out of the biotech company's control. This is the same situation as for variable consideration as already required in ASU 606 (see above), for which revenue is only recognized upon resolution of the uncertainty, if ever.</p> <p>The proposed ASU should specify that contracts would be considered to be complete at the transition date if "all (or substantially all) of the revenue, excluding variable</p>	
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	<p>consideration for which it is probable at the date of initial application that there will be a significant reversal of revenue, has been recognized under legacy GAAP". Revenue related to milestone and royalty payments that are achieved after the transition date would be recognized in accordance with ASU 606. Failure to include this additional guidance would be inconsistent with the guidance in the body of ASU 606 and would result in the contract in the example above being subject to the transition provisions, even though, absent any further events requiring recognition of revenue under the contract after the transition date, that accounting treatment would turn out to have been incorrect.</p>	
<p>Please provide any additional comments on the proposed Update:</p>		<p>Completed</p>
<p>Please provide any comments on the electronic feedback process:</p>		<p>Completed</p>
<p>Below is a printable summary of your responses to the questions in this feedback form.</p> <p>You can revise your responses by clicking the "Back" button.</p> <p>All comments received constitute part of the FASB's public file. The FASB will make all comments publicly available by posting them to the Online Comment Letters portion of its website.</p> <p>If you are finished providing comments, click the 'Submit' button at the bottom of this</p>	<p>Not Answered</p>	<p>Not Answered</p>

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