From: Gregg Nelson [mailto:gln@us.ibm.com]

Sent: Tuesday, October 13, 2015 10:04 AM

To: Director - FASB

Subject: File Reference No. 2015-290

Mr. Russell Golden, Chairman

Financial Accounting Standards Board

401 Merritt 7

P.O. Box 5116

Norwalk, CT 06856-5116

(Sent via e-mail to director@fasb.org)

Re: File Reference No. 2015-290

Dear Mr. Golden:

The International Business Machines Corporation ("IBM" or "the company") appreciates the opportunity to comment on the proposed Accounting Standards Update: Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (the "proposed ASU" or "exposure draft"), issued by the Financial Accounting Standards Board ("FASB").

We commend the FASB for issuing the proposed ASU and for their responsiveness to stakeholder requests for greater clarification. Overall, we are supportive of the proposed revisions to the guidance and illustrative examples, and believe these changes improve the operability and understandability of the principal versus agent guidance in Topic 606. Furthermore, as a multinational corporation, we believe it is important for the FASB and the International Accounting Standards Board ("IASB") to remain converged to the fullest extent possible and are appreciative that the proposed amendments related to principal versus agent considerations are converged.

We do feel there is one area where the guidance can be improved. We believe the proposed change to paragraph 606-10-55-39b results in a lack of clarity regarding how to apply the inventory risk indicator. The first sentence of this paragraph was revised to state that if an entity has inventory risk before a specified good or service is transferred to the customer, versus ordered by the customer, it may be an indicator that the entity is principal in the transaction. This suggests that an entity could obtain, or commit to obtain, the specified good or service after entering into an arrangement with a customer (i.e., after the customer orders the specified good or service but before the entity transfers the specified good or service to the customer) and still meet the inventory risk indicator. This seems inconsistent with the example in the second half of this paragraph, which suggests the indicator would only be met if the entity obtains, or commits to obtain, the specified good or services before obtaining a contract with a customer. Additionally, the proposed guidance seems inconsistent with Example 46A. Paragraph 606-10-55-324F of this example states "The entity observes that it does not commit to obtain the services from the service provider before obtaining the contract with the customer, nor does it maintain available resources to provide maintenance services (for example, staff, equipment or supplies). Thus, the entity does not have inventory risk with respect to the office maintenance services." This suggests that the inventory risk indicator could not be met if the entity obtains, or commits to obtain, the specified good or service after the customer orders the specified good or service but before the entity transfers the specified good or service. As such, we believe the guidance in paragraph 606-10-55-39b should be revised to make clear that an entity must obtain, or commit to obtain, the specified good or service before obtaining a contract with a customer in order for inventory risk to exist. In this regard, we believe maintaining the phrase "ordered by a customer" in the first sentence of the referenced guidance would provide greater clarity on this point.

Thank you for the opportunity to comment on this proposed ASU. If you have any questions or wish to discuss our comments further, please do not hesitate to contact me at 914-766-2008.

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