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November 17, 2015

Susan M. Cospers, CPA
Technical Director
FASB
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: September 30, 2015 Exposure Draft of a Proposed Accounting Standards Update (ASU), *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients* [File Reference No. 2015-320]

Dear Ms. Cospers:

The American Institute of CPAs (AICPA) is the world's largest member association representing the accounting profession, with more than 412,000 members in 144 countries, and a history of serving the public interest since 1887. One of the objectives that the Council of the AICPA established for the PCPS Executive Committee is to speak on behalf of local and regional firms and represent those firms' interests on professional issues in keeping with the public interest, primarily through the Technical Issues Committee (TIC). This communication is in accordance with that objective. These comments, however, do not necessarily reflect the positions of the AICPA.

TIC has reviewed the ED and is providing the following comments for your consideration.

GENERAL COMMENTS

TIC is very supportive of the Board's efforts to identify simplifications and practical expedients to help constituents implement Topic 606. TIC agrees with most of the proposed changes (with one suggested clarification). In addition, TIC would not object to a change in the collectibility criterion from probable to "more likely than not," which is part of the entity's assessment for determining whether a substantive contract with a customer exists.

SPECIFIC COMMENTS

Question 1: 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?

The proposed changes in 606-10-25-1, which include adding the words “substantially all of” to subparagraph (e) and a cross-reference to additional implementation guidance, will facilitate the assessment of collectibility. Also, the additions to 606-10-25-3 allow the entity to establish the collectibility criteria as certain steps in the contract are completed without having to consider the contract as a whole. TIC agrees that generally the new implementation guidance in paragraphs 606-10-55-3A through 55-3C and the new examples succeed in clarifying the collectibility threshold.

Question 2: 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 of applying the guidance? If not, why?

Yes. The addition of paragraph 606-10-25-7(c) clarifies the termination criterion in paragraph 606-10-25-7(b) for cash received on nonsubstantive contracts.

Question 3: 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.

In general, TIC members can support a collectibility threshold of “more likely than not” for the “step 1” test (identify the contract[s] with a customer) in Topic 606. There are benefits to convergence with IFRS to reduce differences. TIC encourages this when practical. TIC believes there are only limited situations in which a contract would pass the “likely to occur” criterion, but fail the “probable” threshold; therefore, TIC would not expect this change to have a significant impact. For that reason, TIC would not object to this change as it would result in alignment with IFRS.

Question 4: 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?

Yes. TIC agrees that the policy election will reduce complexity without compromising user needs.

Question 5: Revisions to paragraph 606-10-32-21 and the related example specify that noncash consideration should be measured at contract inception. Does this proposed amendment improve the clarity of applying the guidance? If not, why?

Yes. TIC agrees that this clarification will simplify application of the guidance relating to noncash consideration. However, TIC believes the amendment should be revised to emphasize that measurement of the noncash consideration would not commence until management has concluded that the agreement meets the definition of a substantive contract under Topic 606. Therefore, TIC recommends the following additional revision

to paragraph 606-10-32-21: “...an entity shall measure the fair value of the noncash consideration at contract inception as defined at paragraph 606-10-25-1.”

Question 6: 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?

Yes.

Question 7: 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?

Yes.

Question 8: Revisions to paragraph 606-10-65-1(c)(2) clarify that a completed contract is a contract for which 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?

Yes.

TIC appreciates the opportunity to present these comments on behalf of PCPS member firms. We would be pleased to discuss our comments with you at your convenience.

Sincerely,



Michael A. Westervelt, Chair
PCPS Technical Issues Committee
cc: PCPS Executive and Technical Issues Committees