

January 22, 2016

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. 2015-330

Dear Mr. Golden:

The International Business Machines Corporation (“IBM” or “the company”) appreciates the opportunity to comment on the proposed Accounting Standards Update: Business Combinations (Topic 805): Clarifying the Definition of a Business (the “proposed ASU” or “exposure draft”), issued by the Financial Accounting Standards Board (“FASB”).

The company appreciates the FASB’s efforts to respond to stakeholder concerns around the broad application of the definition of a business and concerns for certain industries when existing real estate guidance is eliminated. We agree that the definition of a business today may be applied too broadly. Overall, we are in agreement with the proposed changes and believe the amendment provides improved clarity on the definition of a business. The proposal would likely narrow those sets of assets and activities that would meet the definition of a business, however, significant judgment will still be required.

As mentioned in the exposure draft, the decision to account for a transaction as a business impacts many areas of accounting including acquisitions, disposals, goodwill impairment, and consolidation. Given future phases of the project could impact accounting treatment of assets versus business sales or acquisitions, it would be useful to get decisions in those phases and then release a combined proposed ASU.

As a global preparer of financial statements, the company follows proposals from both the FASB and International Accounting Standards Board. Currently, the definition of a business is aligned under U.S. GAAP and IFRS and both Boards are considering changes in this area. We encourage both Boards to stay converged on the definition of a business with any new requirements effective concurrently. The costs of adopting a standard which is not aligned with IFRS would outweigh the benefits.

We agree the amendments in the proposed ASU should be applied prospectively to any transaction that occurs on or after the effective date with no transition disclosure requirements. The final guidance should be effective with the adoption of the revenue standard.

Thank you for the opportunity to comment on the exposure draft. If you have any questions, please contact me at (914) 766-2477.

Sincerely,

Alison Yara

VP, Acctg. Policy & Financial Reporting

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