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June 14, 2016

Ms. Susan M. Cospers  
Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856-5116

### **File Reference No. 2016-240**

Dear Ms. Cospers:

RSM US LLP appreciates the opportunity to comment on the Proposed Accounting Standards Update (ASU), *Technical Corrections and Improvements to Update No. 2014-09, Revenue from Contracts with Customers (Topic 606)* (the “proposed Update”). Overall, we are supportive of the actions the Board has taken to address questions and issues arising in the implementation of the new revenue recognition model provided in ASU 2014-09. The work of the Joint Transition Resource Group for Revenue Recognition (TRG) has been valuable in understanding how certain aspects of Topic 606 should be applied in practice and in identifying those issues that warrant additional standard setting by the Board. The TRG’s discussions and the Board’s additional standard setting will significantly reduce the potential for diversity in practice as the new revenue recognition model is implemented.

As it relates to the proposed Update, we are generally supportive of the various technical corrections and improvements included therein. Provided below for your consideration are our responses to the “Questions for Respondents” on which specific comment was requested, along with comments and suggestions on other matters in the proposed Update. In our responses and comments, we highlight additional clarifications that we believe would further improve the operability and understandability of the proposed Update.

### **Responses to Questions for Respondents**

**Question 1:** *The proposed amendments to Subtopic 340-10, Other Assets and Deferred Costs—Overall, would supersede the guidance on accounting for pre-production costs related to long-term supply arrangements. Consequently, an entity would apply the guidance in Subtopic 340-40, Other Assets and Deferred Costs—Contracts with Customers, if the costs relate to a contract with a customer. Do the proposed amendments resolve the scope issue? If not, please explain why and suggest alternatives. (Issue 1)*

We agree that the proposed amendments to supersede the guidance on accounting for pre-production costs related to long-term supply arrangements resolve the scope issue.

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**Question 2:** *The proposed amendments are intended to improve the clarity of the impairment testing requirements in Subtopic 340-40. Would the proposed amendments improve the clarity of these requirements? If not, please explain why and suggest alternatives. (Issue 2 and Issue 3)*

We agree that the proposed amendments improve the clarity of the impairment testing requirements in Subtopic 340-40. However, to further clarify that assets within the scope of Topic 360 and Topic 350 are tested for impairment after the impairment test in paragraph 340-40-35-3, we believe it would be helpful to add the underlined wording to the following sentence in paragraph 340-40-35-5 to note that items in the scope of Topic 360 and Topic 350 are not considered “another Topic” in this sentence:

“Before an entity recognizes an impairment loss for an asset recognized in accordance with paragraph 340-40-25-1 or 340-40-25-5, the entity shall recognize any impairment loss for assets related to the contract that are recognized in accordance with another Topic, other than Topic 360 and Topic 350 (for example, Topic 330 on inventory and Subtopic 985-20 on costs of software to be sold, leased, or otherwise marketed). After applying the impairment test in paragraph 340-40-35-3, an entity shall include the resulting carrying amount of the asset recognized in accordance with paragraph 340-40-25-1 or 340-40-25-5 in the carrying amount of the asset group or reporting unit to which it belongs for the purpose of applying the guidance in Topic 360 on property, plant, and equipment and Topic 350 on goodwill and other intangibles.”

**Question 3:** *The proposed amendments would provide an accounting policy election about the level at which the provision for loss contracts is determined. Would the proposed amendments improve the operability of applying the guidance on the provision for loss contracts in Topic 605, Revenue Recognition? If not, please explain why and suggest alternatives. (Issue 4)*

We agree that the proposed amendments improve the guidance on the provision for loss contracts in Topic 605 and make it consistent with the Board’s original intent of not changing current practice in this area.

**Question 4:** *The proposed amendments are intended to improve the clarity of the scope of Topic 606 for contracts within the scope of Topic 944, Financial Services—Insurance, and fixed-odds wagering contracts for an entity within the scope of Topic 924, Entertainment—Casinos. Would the proposed amendments improve the clarity of the scope guidance? If not, please explain why and suggest alternatives. (Issue 5 and Issue 8)*

We agree that the proposed amendments clarify the scope of Topic 606 for contracts within the scope of Topic 944 and fixed-odds wagering contracts for an entity within the scope of Topic 924.

**Question 5:** *The proposed amendments would provide an additional practical expedient to the disclosure of remaining performance obligations in specific situations in which an entity need not estimate variable consideration to recognize revenue. Would the addition of this practical expedient diminish the usefulness of the disclosure information? If yes, please explain why. Would the proposed amendments reduce the cost and complexity of applying Topic 606? If not, why? Are there other situations in which an entity would be required to estimate variable consideration for disclosure but not for purposes of recognizing revenue? (Issue 6)*

We believe the practical expedient would reduce the cost and complexity of applying Topic 606 and would not diminish the usefulness of the disclosure information. We think the additional practical expedient is appropriate in light of the original deliberation of Update 2014-09 in which the Board

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observed there would not be significant incremental costs imposed on entities to disclose remaining performance obligations as they already were required to determine and allocate the transaction price to the remaining performance obligations. Without this practical expedient, entities might incur significant incremental costs to provide the disclosures of remaining performance obligations in those situations in which they did not need to estimate variable consideration to recognize revenue.

**Question 6:** *The proposed amendments to the disclosure requirement in paragraph 606-10-50-15 are intended to expand the information disclosed when an entity applies one or more of the practical expedients in paragraphs 606-10-50-14 through 50-14A. Do you agree with the proposed amendments? If not, what information should an entity be required to disclose about its remaining performance obligations when one or more of the practical expedients are applied? (Issue 6)*

We don't believe that the proposed amendments to paragraph 606-10-50-15 to expand the disclosure requirements when an entity applies one or more of the practical expedients to the disclosure of remaining performance obligations are necessary. The disclosure requirements in Topic 606 already have been greatly expanded from those of legacy GAAP, and we believe the disclosures required by paragraph 606-10-50-15 as included in ASU 2014-09 provide sufficient information regarding these practical expedients. If the Board decides to update paragraph 606-10-50-15 consistent with the amendments proposed, we believe consideration should be given to making these expanded disclosures optional for entities other than public entities.

**Question 7:** *While not proposed in this Exposure Draft, should an entity that applies one or more of the practical expedients to the disclosure of remaining performance obligations be required to disclose the amounts of variable and fixed consideration recognized in current-period revenue for contracts to which the entity applies one or more of the practical expedients? What would be the costs associated with including that disclosure? Would that disclosure provide useful information? Also, should an entity that applies one or more of the practical expedients be required to disclose information (for example, remaining contract duration) about each major customer as that term is used in Topic 280, Segment Reporting (that is, customers with revenue equal to or greater than 10 percent of total revenue)? (Issue 6)*

As discussed in our response to Question 6, we don't believe additional disclosures when an entity applies one or more of the practical expedients to the disclosure of remaining performance obligations are necessary.

**Question 8:** *The proposed amendments to Example 7 in Topic 606 are intended to improve the alignment of the analysis in the example and the guidance in paragraph 606-10-25-12. Do the proposed amendments align the example with the guidance in paragraph 606-10-25-12? If not, please explain why and suggest alternatives. (Issue 7)*

We agree that the proposed amendments to Example 7 in Topic 606 align the example with the guidance in paragraph 606-10-25-12.

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**Question 9:** *The proposed amendments are intended to align the cost capitalization guidance for the capitalization of direct incremental costs for investment companies within the scope of Topic 946, Financial Services—Investment Companies, for advisors to public and private funds. Do the proposed amendments align the accounting for advisors to both public funds and private funds? If not, please explain why and suggest alternatives. (Issue 9)*

We agree that the proposed amendments align the cost capitalization guidance for direct incremental costs for investment companies for advisors to both public and private funds consistent with the Board's original intent of not changing practice in this area.

### Other Comments and Suggestions

It is unclear to us why proposed paragraph 606-10-50-14B is necessary. In regard to its reference to paragraph 606-10-50-14A, it seems redundant as paragraph 606-10-50-14A already clearly states that it is only applicable to variable consideration that meets one of the conditions noted. As a result, we don't think it's necessary to restate in proposed paragraph 606-10-50-14B that "The practical expedients in paragraph... 606-10-50-14A shall not be applied to fixed consideration or variable consideration that does not meet one of the conditions in paragraph 606-10-50-14A."

In regard to the reference in proposed paragraph 606-10-50-14B to paragraph 606-10-50-14(b), we believe that adding the requirement that the practical expedient in paragraph 606-10-50-14(b) (regarding an entity having the right to consideration in an amount that corresponds directly with the value to the customer of the entity's performance completed to date per paragraph 606-10-55-18) must also meet one of the conditions in paragraph 606-10-50-14A effectively removes the need to include the existing paragraph 606-10-50-14(b). This is due to the fact that an entity could apply the practical expedient by simply meeting one of the conditions in paragraph 606-10-50-14A. As a result, we suggest deleting proposed paragraph 606-10-50-14B and modifying paragraphs 606-10-50-14 and 606-10-50-14A as follows:

**606-10-50-14** As a practical expedient, an entity need not disclose the information in paragraph 606-10-50-13 for a performance obligation if ~~either~~ any of the following conditions is are met:

- a. The performance obligation is part of a **contract** that has an original expected duration of one year or less.
- b. ~~The entity recognizes revenue from the satisfaction of the performance obligation in accordance with paragraph 606-10-55-18~~

~~**606-10-50-14A** As a practical expedient, an entity need not disclose the information in paragraph 606-10-50-13 for variable consideration in which either of the following conditions is met:~~

- ~~a.~~ The ~~variable~~ consideration is variable and is a sales-based or usage-based royalty promised in exchange for a license of intellectual property accounted for in accordance with paragraphs 606-10-55-65 through 55-65B.
- ~~b. c.~~ The ~~variable~~ consideration is variable and allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a distinct good or service that forms part of a single performance obligation in which the entity recognizes revenue from satisfaction of the performance obligation in accordance with paragraph 606-10-55-18 ~~606-10-25-14(b)~~, for which the criteria in paragraph 606-10-32-40 have been met."

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We appreciate this opportunity to provide feedback on the proposed Update and would be pleased to respond to any questions the Board or its staff may have concerning our comments. Please direct any questions to Rick Day at 563.888.4017 or Brian H. Marshall at 203.312.9329.

Sincerely,

*RSM US LLP*

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