

June 27, 2016

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

By e-mail: [director@fasb.org](mailto:director@fasb.org)

**Re: Proposed Accounting Standards Update—*Technical Corrections and Improvements to Update 2014-09, Revenue from Contracts with Customers (Topic 606)***

**(File Reference No. 2016-240)**

Dear Ms. Cospers:

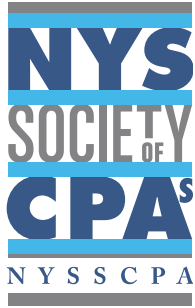
The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 26,000 CPAs in public practice, business, government and education, welcomes the opportunity to comment on the above-captioned exposure draft.

The NYSSCPA's Financial Accounting Standards Committee deliberated the proposed accounting standards update and prepared the attached comments. If you would like additional discussion with us, please contact Craig T. Goodman, Chair of the Financial Accounting Standards Committee, at (212) 324-7048, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

F. Michael Zovistoski  
President

Attachment



**NEW YORK STATE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS**

**COMMENTS ON**

**PROPOSED ACCOUNTING STANDARDS UPDATE—*TECHNICAL CORRECTIONS  
AND IMPROVEMENTS TO UPDATE 2014-09, REVENUE FROM CONTRACTS WITH  
CUSTOMERS (TOPIC 606)***

**(File Reference No. 2016-240)**

**June 27, 2016**

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Ernest J. Markezin

## New York State Society of Certified Public Accountants

### Comments on

### **Proposed Accounting Standards Update—*Technical Corrections and Improvements to Update 2014-09, Revenue from Contracts with Customers (Topic 606)***

**(File Reference No. 2016-240)**

#### **General Comments**

We welcome the opportunity to respond to the Financial Accounting Standards Board's (FASB or the Board) invitation to comment on the Proposed Accounting Standards Update—*Technical Corrections and Improvements to Update 2014-09, Revenue from Contracts with Customers (Topic 606)* (Proposed Update).

#### **Specific Comments**

We have the following responses to the questions posed in the Proposed Update, along with suggestions for the FASB's consideration, included in our response to Question 7.

**Question 1: The proposed amendments to Subtopic 340-10, Other Assets and Deferred Costs—Overall, would supersede the guidance on accounting for preproduction 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)**

**Response:** We believe the proposed amendments will resolve the scope issue.

**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)**

**Response:** We agree that the proposed amendments would improve the clarity of these requirements.

**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)**

**Response:** We agree that the proposed amendments will improve the operability of applying the guidance on the provision of loss contracts in Topic 605, Revenue Recognition.

**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)**

**Response:** The proposed change to paragraph 606-10-15-2b, removing the term “insurance” and replacing it with “contracts,” will clarify the scope exception.

We believe that fixed-odds wagering contracts are within the scope of Topic 606, rather than Topic 815, *Derivatives and Hedging*. We agree with the FASB staff’s position as noted in TRG Memo No. 47, prepared for the FASB-IASB Joint Transition Resource Group for Revenue Recognition, and do not believe that it was the FASB’s intent to exclude fixed-odds wagering contracts from the scope of Topic 606. In our view, fixed-odds wagering contracts fundamentally meet the definition of revenue as defined in the glossary term of Topic 606, and that including fixed-odds wagering in Topic 815 would result in less effective disclosure and less useful information to stakeholders.

**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)**

**Response:** We agree with the practical expedients suggested in Issue 6, in general. However, see our comments below to Question 7, for our additional thoughts.

**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)**

**Response:** We agree with the proposed amendments, in general. See our comments to Question 7, below.

**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)**

**Response:** The practical expedient applies to three types of arrangements with variable consideration: (1) sales-based or usage-based royalties in connection with a license agreement, (2) a wholly unsatisfied performance obligation, and (3) a wholly unsatisfied promise to transfer a distinct good or service that forms part of a single performance obligation.

It is noted that while these arrangements have variable considerations, the royalty-based arrangement is dissimilar to the other types of arrangements. In the former, the reporting entity has already performed by executing and delivering a license to the counterparty for which the reporting entity is entitled to future consideration, which is variable, based on the actions of the licensor. In the latter, the reporting entity has not completed its performance obligation to the counterparty. For this reason, our response to the question will be bifurcated between Royalty Arrangements and Unsatisfied Performance Obligations.

#### Royalty Arrangements

We agree that these disclosures should be required for royalty arrangements. Preparers of the financial statements are in the best position to comment on cost, though for royalty arrangements, that cost is not expected to be significant, as such information is currently disclosed. The disclosure is meaningful, as it permits the reader of the financial statements to understand the amount of revenue earned under such arrangements and to assess the related trends. Further, we agree that contract-specific terms with major customers should be disclosed.

#### Unsatisfied Performance Obligations

We do not agree that these disclosures should be required for all arrangements. We expect that the cost to assemble this information for all contracts will be significant and do not believe the cost will justify the benefit. We do agree that contract disclosures should be included to the extent the contract is with a major customer.

**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)**

**Response:** We agree that the proposed amendments align the example with the guidance in paragraph 606-10-25-127.

**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)**

**Response:** In our view, the proposed amendments do align the accounting for advisors to both public funds and private funds.