



June 30, 2016

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

Re: File Reference No. 2016-240

Dear Ms. Cospier:

PricewaterhouseCoopers LLP appreciates the opportunity to comment on the FASB's Exposure Draft, *Revenue from Contracts with Customers (Topic 606): Technical Corrections and Improvements to Update No. 2014-09*.

We support the FASB and IASB's (the boards') efforts to respond to concerns raised by constituents about the revenue standard. As we've previously communicated, we believe the converged revenue standard is a significant achievement for financial reporting that will provide substantial benefits to both preparers and users over the long run. We understand that several of the proposed corrections and improvements arise from the interaction of the revenue standard with other aspects of US GAAP. While acknowledging the varying needs of the boards' constituents, we remain concerned that those benefits may be eroded if the boards continue to develop independent solutions to implementation issues. Therefore, we continue to encourage the boards to work towards a converged solution to any broader implementation issues related to the revenue standard whenever possible.

We generally support the proposed technical corrections and improvements to ASC 606. We believe the amendments will help clarify the guidance and promote consistency in its application. Detailed responses to the questions for respondents are included in the Appendix. We have not provided a response to Questions 6 and 7 regarding the perceived benefits to users and the expected costs associated with requiring additional disclosures. We defer to the responses from investors and preparers on these matters.

If you have any questions, please contact Patrick Durbin (+1 973 236 5152) or Brett Cohen (+1 973 236 7201).

Very truly yours,

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

PricewaterhouseCoopers LLP



## Appendix

**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 believe the amendments will improve consistency in the application of the cost guidance and will help resolve certain implementation issues that have been raised thus far.

**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)*

Yes. We believe the proposed amendments will provide additional clarity on how an entity would measure the remaining amount of consideration that the entity expects to receive in exchange for the goods or services to which the contract asset relates when testing capitalized contract cost assets for impairment under *Subtopic 340-40*. Additionally, we believe the proposed amendments would clarify the interaction of the impairment testing guidance in *Subtopic 340-40* with the impairment guidance in other Topics.

**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 believe the proposed amendments would clarify the interaction of the retained US GAAP guidance on the provision for loss contracts with the new revenue standard. We support the amendment because we believe it would be inappropriate to require entities to determine loss provisions at the performance obligation level, particularly considering the FASB stated objective that they do not intend to change 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 believe the proposed amendments will clarify the scope of Topic 606. While we support the amendments, we have the following specific recommendations.

### **Topic 944 - Financial Services - Insurance**

The proposed amendment is intended to clarify that paragraph 606-10-15-4 does not apply if an entity concludes that a contract is *entirely* within the scope of Topic 944. However, we believe that the basis for



conclusions includes language that is unnecessary to how an entity would reach its conclusion. Therefore, we recommend the following changes to that language.

BC12. The Board has received questions about the interaction of the guidance in paragraph 606-10-15-2 with the guidance in paragraph 606-10-15-4. Some stakeholders have questioned whether the guidance in paragraph 606-10-15-4 requires an insurance entity to bifurcate contracts (within the scope of Topic 944) into elements within the scope of Topic 944 and elements within the scope of Topic 606. The guidance in paragraph 606-10-15-4 is applied *after* applying the guidance in paragraph 606-10-15-2. For example, if an entity reaches an appropriate conclusion that it has a contract entirely within the scope of Topic 944, then the entity would not apply the guidance in paragraph 606-10-15-4. ~~This is because there are no elements of the contract within the scope of Topic 606 based on the entity's conclusion that the entire contract is included within the scope of Topic 944. This assessment is similar to how an insurance entity determines whether contracts are within the scope of Topic 944 or Topic 605 currently.~~ There could be other activities in the contract, such as insurance risk mitigation or cost containment activities that relate to costs to fulfill the contract within the scope of Topic 944. Those fulfillment activities would not be within the scope of Topic 606 but, instead, similar to current practice, would be considered part of the contract within the scope of Topic 944. This assessment is similar to how an insurance entity determines whether **components** of contracts are within the scope of Topic 944 or Topic 605 currently.

#### ***Topic 924, Entertainment—Casinos***

We believe the creation of Subtopic 924-815 will clarify the scope of Topic 606. We observe, however, that it will fail to resolve an existing difference between US GAAP and IFRS and will perpetuate industry-specific accounting. This, in turn, may lead to further complexity. For example, restricting the guidance to a certain type of entity (specifically, “an entity operating as a casino”) could result in additional scoping questions in the future with regard to non-casino entities that enter into fixed-odds wagering contracts.

***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 understand that the FASB staff performed extensive outreach with financial statement users and preparers about the disclosures that should be required by Topic 606. We also understand that they performed a cost-benefit analysis to ensure the proposed changes would achieve the objective of reducing cost and complexity while maintaining or improving the usefulness of information provided to users of the financial statements. On that basis, we do not object to the FASB’s decision to provide an additional practical expedient related to the disclosure of remaining performance obligations for specific situations in which an entity does not estimate variable consideration to recognize revenue.



**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)*

Yes. We believe the proposed amendments would clarify the example by improving the alignment of the analysis in the example with the guidance in paragraph 606-10-25-12.

**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)*

Yes. We believe that the proposed amendments would align the cost capitalization guidance for advisors to both public funds and private funds.