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

Via Email to director@fasb.org

Grant Thornton LLP
Grant Thornton Tower
171 N. Clark Street, Suite 200
Chicago, IL 60601-3370
T +1 312 856 0200
F +1 312 565 4719
grantthornton.com

Re: File reference number 2016-240

Dear Ms. Cospers:

Grant Thornton LLP appreciates the opportunity to comment on Proposed Accounting Standards Update, *Technical Corrections and Improvements to Update No. 2014-09, Revenue from Contracts Customers (Topic 606)*. We support the Board's efforts to separately issue this proposed Update to increase stakeholders' awareness of the technical corrections and improvements and expedite the process to finalize changes to the new revenue guidance.

Our answers to select questions for respondents follow. In addition to the comments expressed below, we ask the Board to consider deleting "milestones reached" from ASC 606-10-55-17 as an example of an acceptable output method to measure progress toward complete satisfaction of a performance obligation satisfied over time. At the April 18, 2016 Joint Transition Resource Group for Revenue Recognition (TRG) meeting, TRG members reached general agreement related to Staff Paper 53 that control does not transfer at discrete points in time if the entity meets any of the criteria to recognize revenue over time. The TRG members also agreed that an appropriate measure of progress should not cause an entity to recognize a material asset as a result of its performance, such as work in process, because control transfers as the entity performs. As the TRG meeting discussions and meeting summaries do not establish authoritative GAAP, we believe the Board should consider deleting "milestones reached" from ASC 606-10-55-17 as part of its technical corrections and improvements, if it agrees with the conclusions set forth in Staff Paper 53 in order to codify this area and avoid confusion in practice.

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.

We support the proposed amendments to remove the guidance in Subtopic 340-10 on accounting for preproduction costs related to long-term supply arrangements. Not only will the change address questions about what contracts are within the scope of Subtopic 340-10, but the change also aligns with the stated objectives of the revenue project, including to

- Improve comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets
- Simplify the preparation of financial statements by reducing the number of requirements to which an entity must refer

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.

We agree that the proposed amendments would clarify the impairment testing requirements in Subtopic 340-40.

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.

If a contract includes one or more performance obligation(s) within the scope of Subtopic 605-35, and one or more performance obligation(s) outside that scope, does the Board intend to allow entities to include performance obligations outside that scope for purposes of determining a loss provision at the contract level? We believe that this would be a change from current practice and could result in unintended consequences. We recommend the Board clarify if its intent is that the accounting policy election apply only when the entire contract is within the scope of Subtopic 605-35.

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.

We agree with the proposed changes and believe they are a practical way to address calls for improved clarity in the scope of the new revenue guidance.

Question 8: The proposed amendments to Example 7 in Topic 606 are intended to improve the alignment of the analysis in the example and 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.

We agree that the proposed amendments to Example 7 align the analysis in the example with the guidance in ASC 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.

We agree that the proposed amendments align the cost capitalization guidance for advisors to public and private funds.

We would be pleased to discuss our comments with you. If you have any questions, please contact Lynne Triplett, partner, 312-602-8060, lynne.triplett@us.gt.com or Doug Reynolds, partner, 617-848-4877, doug.reynolds@us.gt.com.

Sincerely,

/s/ Grant Thornton LLP