

April 12, 2018



**Submitted via email (director@fasb.org)**

Technical Director  
File Reference No. 2018-230  
Financial Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856-5116

**Re: File Reference No. 2018-230, Proposed Accounting Standards Update, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract; Disclosures for Implementation Costs Incurred for Internal-Use Software and Cloud Computing Arrangements**

Apple Inc. appreciates the opportunity to comment on the Financial Accounting Standards Board’s (“the Board”) proposed accounting standards update issued on March 1, 2018 related to a customer’s accounting for implementation costs incurred in a cloud computing arrangement that is a service contract and disclosures for implementation costs incurred for internal-use software and cloud computing arrangements (the “Proposed ASU”).

We support the accounting in the Proposed ASU. In particular, we agree with the discussion in paragraph BC7 of the Proposed ASU that acknowledges that implementation costs incurred in a cloud computing arrangement that is a service may provide a future benefit that enhances the right to receive the related service and, therefore, could be capitalized as an asset.

We do not, however, support the added disclosures in Proposed Subtopic 350-40-50-2 as we do not believe they will provide decision-useful information to investors. We encourage the Board to maintain, unchanged, the current disclosure guidance in Subtopic 350-40-50-1. Our rationale for this proposal is as follows:

- Current disclosure guidance in Subtopic 350-40-50 provides reference to disclosure requirements in existing authoritative literature that is applicable by analogy to internal-use software. We believe application of the analogous disclosure requirements referenced in Subtopic 350-40-50, including Topic 275, Subtopic 730-10, Topic 235 and Subtopic 360-10, provides sufficient information to investors about internal-use software.

As with any disclosures, we believe that preparers consider the fundamental qualitative characteristics of useful financial information, including the concept of materiality, as discussed in Statement of Financial Accounting Concepts No. 8, Chapter 3, *Qualitative Characteristics of Useful Financial Information*, when making determinations regarding the relevance of financial information provided to investors.

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We believe that decision-useful financial information related to material implementation costs for internal-use software is already required to be disclosed by the existing literature. It is our perspective that the disclosure requirements in the Proposed ASU are duplicative of existing disclosure requirements and may result in providing information that is not relevant or useful to investors.

- Conceptually, the implementation costs discussed in Subtopic 350-40 and in the Proposed ASU represent one specific type of set-up cost that may be incurred to bring a fixed asset to the condition and location necessary for its intended use. With the limited exception of certain pre-production design and development costs related to long-term supply arrangements, current authoritative literature does not require discrete disclosure of set-up costs for any specific category of fixed assets. We do not believe that there is more inherent risk or subjectivity related to implementation costs for internal-use software, as compared to any other fixed asset set-up cost, that would warrant additional, targeted disclosure guidance.

Since there is generally no other sub-class of fixed assets that requires specific and narrow scope disclosures for set-up costs, we believe it would be inconsistent to establish specific disclosure requirements for the implementation costs discussed in Subtopic 350-40 and in the Proposed ASU. We are concerned that adoption of the proposed disclosure guidance will create an artificial, separate sub-category of fixed asset set-up costs and imply an unwarranted perception of increased risk and importance that may confuse financial statement users.

- We do not believe the information related to the disclosure requirements in the Proposed ASU is used by management to operate the business. We believe that disclosures provide decision-useful information to users when the disclosures are closely aligned to information that management uses to operate the business. Conversely, providing information to users that is not used by management unnecessarily adds to the complexity of financial statement disclosures while providing little, if any, benefit to users.

Please contact me at (408) 862-4776 if you have questions regarding our response or other aspects of the Proposed ASU.

Respectfully,

A handwritten signature in blue ink, appearing to read 'Chris Kondo', is written over the word 'Respectfully,'.

Chris Kondo  
Senior Director, Corporate Accounting  
and Principal Accounting Officer