

04/17/2018

Record ID: 636595938916596815

Question Text	Response	Status
* Please select the type of entity or individual responding to this feedback form.	Preparer	Completed
Other, please specify (Specified)		
* Please provide contact information for any follow-up questions.	(Filled in as Follows:)	Completed
Organization *	ThompsonGas, LLC	
First name *	Rob	
Middle initial		
Last name *	Hollasch	
Email address *	rhollasch@thompsongas.com	
Phone number	301-302-8027	
1. Should eligible implementation costs of a hosting arrangement that is a service contract be capitalized using the guidance on internal-use software, recognized in profit or loss over the term of the hosting arrangement as defined in this proposed Update, and presented in the same line item in the statement of income as the fee associated with the hosting arrangement? If not, what accounting is more appropriate and why?	I agree with the proposed ASU that the implementation costs of a hosting arrangement that is a service contract should be capitalized using the guidance on internal-use software. Additionally, I agree that it should be recognized in profit and loss over the term of the hosting arrangement. However, I disagree that it should be recognized in the same line item in the statement of income as the fee associated with the hosting arrangement. This is because the treatment would reduce comparability between entities. For example, if we have two entities within the same competitive industry and both are acquiring new ERP software. One of them is acquiring the license and hosting on their internal servers. They would capitalize their eligible implementation costs and amortize over the expected life of the asset into amortization expense on the profit and loss statement. The other company is acquiring their ERP software from a provider through a cloud hosting arrangement which requires them to account for the implementation costs under the proposed ASU and amortize the costs under the same statement of income line as the fee associate with the hosting arrangement (which is not amortization or depreciation expense). In many ERP software the implementation costs are significant. Additionally, many industries have key metrics around EBITDA -Earnings before Interest Taxes Depreciation and Amortization. In this case Company No. 1 would be excluding the amortization of their implementation costs	Completed

	<p>from EBITDA, but Company No 2 would not. Although they have both acquired an ERP product which may perform very similar and give the companies substantially the same economic benefit, they are now presenting the results of these arrangements differently on their statement of income. Therefore, I believe the correct accounting would be to amortize fees associated with the hosting arrangement into amortization expense, just as you would if you could take possession of the software.</p>	
<p>2. This proposed Update includes an amendment to the definition of hosting arrangement in the Master Glossary. Do you agree with the amendment, and do you have any other concerns with the definition, as amended?</p>	<p>Yes I agree with the change</p>	<p>Completed</p>
<p>3. Is additional guidance needed to determine whether the amendments in this proposed Update apply to arrangements that include a minor hosting arrangement?</p>	<p>I believe current guidance is clear.</p>	<p>Completed</p>
<p>4. Can the guidance for determining the project stage (that is, preliminary project stage, application development stage, or post implementation stage) in Subtopic 350-40 be consistently applied to a hosting</p>	<p>Yes I believe it can. The fact is the implementation of these hosted arrangements and the economic benefit and expectations of how the software will perform are no different then when you take possession. Therefore, the guidance used should be the same to determine what costs to capitalize in order to maintain consistency and comparability in statements between companies.</p>	<p>Completed</p>

<p>arrangement? Why or why not?</p>		
<p>5. Should an entity apply an impairment model to implementation costs of a hosting arrangement that is a service contract that is different from the impairment model included in Subtopic 350-40? Why or why not?</p>	<p>No, referring to response in number 4, the expectations of a software by the user is substantially the same under both companies.</p>	<p>Completed</p>
<p>6. Do you agree with the disclosures included in the proposed amendments? If not, what additional disclosures do you recommend, or what disclosures should be removed and why?</p>	<p>Yes I agree with them.</p>	<p>Completed</p>
<p>7. Should the disclosures included in the proposed amendments be applied to internal-use software and hosting arrangements that include a software license? Why or why not?</p>	<p>Yes they should in order to maintain comparability across statements.</p>	<p>Completed</p>
<p>8. Should an entity be permitted to elect prospective transition or retrospective transition? If not, please explain what transition method should be required and why. If an entity elects prospective</p>	<p>An entity should be able to elect either prospective transition or retrospective transition. These can be significant costs that companies should be able to appropriately account for as an asset over the expected life of the arrangement. Each module or component within a hosting arrangement should be separate as each can be distinct arrangements.</p>	<p>Completed</p>

<p>transition, should the entity apply the transition requirements to each hosting arrangement, each module or component within a hosting arrangement, or costs of the hosting arrangement?</p>		
<p>9. Should an entity be required to provide the transition disclosures specified in the proposed amendments? If not, please explain what transition disclosures should be required and why.</p>	<p>Yes they should be required to provide the transition disclosures.</p>	<p>Completed</p>
<p>10. How much time would be needed to implement the proposed amendments? Should early adoption be permitted? Do entities other than public business entities need additional time to apply the proposed amendments? Why or why not?</p>	<p>I don't believe this would require much time to implement since the proposal is similar to existing standards if the arrangement is not cloud hosted. Early adoption should be permitted for those investing in such an arrangement to use early adoption of they can accurately apply the guidance.</p>	<p>Completed</p>
<p>11. Should the proposed amendments be more broadly applied to similar transactions beyond hosting arrangements or be limited to transactions based on the scope of the proposed</p>	<p>I don't believe it needs to applied more broadly beyond hosting arrangements.</p>	<p>Completed</p>

amendments? If more broadly applied, what transactions are similar to those included in the scope of the proposed amendments?		
Please provide any additional comments on the Proposed Update:		Completed
Please provide any comments on the electronic feedback process:		Completed
Below is a summary of your responses to the questions in this feedback form:	Not Answered	Not Answered
Thank you for your participation. If you are finished providing comments, click the 'Submit' button.	Not Answered	Not Answered