April 24, 2018

Mr. Russell Golden, Chairman
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

(Sent via e-mail to director@fasb.org)

Re: File Reference No. 2018-230

Dear Mr. Golden:

The International Business Machines Corporation ("IBM" or "the company") appreciates the opportunity to comment on the proposed Accounting Standards Update: *Intangibles—Goodwill and Other—Internal Use Software (Subtopic 350-40): Disclosures for Implementation Costs Incurred for Internal-Use Software and Cloud Computing Arrangements, a consensus of the FASB Emerging Issues Task Force* (the "proposed amendment" or "exposure draft"), issued by the Financial Accounting Standards Board ("FASB").

Overall, we are supportive of the exposure draft and believe the proposed guidance presents a practical solution to the narrow scope project that was presented to the Emerging Issues Task Force ("EITF"). We agree with the concept that certain implementation costs of a hosting arrangement (that is deemed a service contract) provide future benefits to an entity beyond the period the implementation services are performed, and therefore, should be capitalized as an asset and amortized over the term of the hosting arrangement.

However, we do not think the additional disclosure requirements in the proposed amendment are necessary. We do not believe the amendments in the exposure draft provide more effective, decision-useful information to users, and we believe the disclosure requirements in the topics referenced in ASC 350-40-50-1 (i.e., ASC 275, 730-10, 235, and 360-10), as well as SEC requirements for public entities, provide sufficient information. We believe the cost to implement these additional disclosure requirements would outweigh the benefits. The specific disclosure requirement to quantify implementation costs that were expensed and capitalized during the period would be particularly onerous. Management may not track implementation costs in this manner, as it may not be necessary to manage their business, and as such, we do not believe users would significantly benefit from having this information.

Regarding transition approaches, we believe entities should be allowed to elect either a prospective approach or a retrospective approach and apply the selected approach consistently to all hosting arrangements in the scope of the guidance. While a retrospective approach may be preferable method for users of financial statements, entities may not have information readily available to apply the retrospective approach in a cost-effective and timely manner. We do think it is critical to allow a transition method that provides entities with the ability to capitalize implementation costs which are being incurred in relation to on-going arrangements as of the effective date of the finalized standard. Currently, the prospective transition approach, as written, does not allow for capitalization of implementation costs for on-going arrangements (as only arrangements that are entered into, renewed, or materially modified after the effective date are in scope). A modified retrospective approach, in which the only costs eligible for capitalization are implementation costs incurred on or after the effective date for on-going and prospective arrangements, may achieve this objective.

Thank you for the opportunity to comment on the exposure draft. If you have any questions, please contact me at (914) 765-5074.

Sincerely,
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