



April 25, 2018  
Technical Director  
File Reference No. 2018-230  
FASB  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856-5116

Dear Board Members:

**Re: 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***

Hertz Global Holdings, Inc. (referred to herein as we, us, our, Hertz or the Company) is pleased to have been given the opportunity to comment on this Financial Accounting Standards Board’s (“FASB”) Proposed Accounting Standards Update (“Proposed Update”).

**Question 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?**

Yes, we believe the treatment of implementation costs of a hosting arrangement that is a service contract as described in the Proposed Update is appropriate. We believe additional clarification should be added to indicate the appropriate balance sheet line item for the implementation costs to be capitalized. It is unclear whether it’s appropriate for these costs to be recognized as software intangible assets or other (suggest specifically saying PP&E if that is where you believe the diversity in practice exists?). Additional clarification is also required regarding the treatment of hosting and maintenance fees during the development phase. We believe there could continue to be diversity in practice related to these costs and whether they are capitalized during the development phase or expensed as incurred.

**Question 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?**

Yes, we agree with the amendment and have no concerns with the definition.

**Question 3: Is additional guidance needed to determine whether the amendments in this proposed Update apply to arrangements that include a minor hosting arrangement?**

We don't believe additional guidance is needed. The Proposed Update is a limited scope project meant to address the accounting for implementation costs in a cloud computing arrangement accounted for as a service contract, and the Proposed Update meets the objective. Refining the scope may delay the issuance.

**Question 4: Can the guidance for determining the project stage (that is, preliminary project stage, application development stage, or postimplementation stage) in Subtopic 350-40 be consistently applied to a hosting arrangement? Why or why not?**

Yes, we believe that the guidance in 350-40 for determining the project stage can be consistently applied to a hosting arrangement. The nature of the implementation activities are often the same for internal use software projects as well as cloud hosting arrangements.

**Question 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?**

No, the impairment model in 350-40 can easily be applied to cloud computing arrangements and an alternative model is not necessary.

**Question 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?**

We agree with the disclosures included. We believe additional disclosure related to the balance sheet line item in which the implementation costs are capitalized to as well as the income statement line item they are amortized to may be beneficial information to add to increase transparency and reduce diversity in practice.

**Question 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?**

Yes, the disclosures should be applied to both internal use software and hosting arrangements. The arrangements are very similar in nature and users of the financial statements could benefit from this information for both.

**Question 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 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?**

Yes, entities should be allowed to elect prospective or retrospective transition. There is diversity in practice so for some entities, the new guidance may be consistent with their current accounting, and for others, it could be a significant change. This election will be beneficial in this regard from a practicality perspective.

We also believe that entities should have the ability to apply the guidance to individual components of a hosting arrangement. Often individual components are put into service at different times resulting in a difference in when amortization of implementation costs commences. If the guidance was required to

be applied to the entire hosting arrangement, amortization could commence prior to all implementation costs being capitalized. This could become overly complex and is not representative of the true economics of the arrangement.

**Question 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.**

Yes. This will help users of the financial statements to understand how the new guidance has affected their financial condition and results of operations.

**Question 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?**

Timing to implement would be dependent on whether or not the transition method election is provided. If prospective transition can be applied, this guidance could be implemented quickly and we would support the permission of early adoptions. It would be reasonable to require adoption in fiscal years beginning after December 15, 2018. If prospective transition is allowed, we also don't believe that entities other than public business entities would need additional time to apply. If retrospective adoption is required, we believe an additional year should be provided for adoption.

**Question 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 amendments? If more broadly applied, what transactions are similar to those included in the scope of the proposed amendments?**

We don't believe it is necessary to apply these amendments more broadly. This would likely delay the issuance of the new guidance and clarification is needed in this area of accounting.

We appreciate the opportunity to comment on this proposed Accounting Standards Update and its application. We would be pleased to discuss our views with you at your convenience.

Sincerely,



Robin Kramer  
Senior Vice President and Chief Accounting Officer  
Hertz Global Holdings, Inc.