

April 27, 2018

Ms. Susan M. Cospers  
Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

By e-mail: [director@fasb.org](mailto:director@fasb.org)

**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; Disclosures for Implementation Costs Incurred for Internal-Use Software and Cloud Computing Arrangements* (a consensus of the FASB Emerging Issues Task Force)**

**(File Reference No. 2018-230)**

Dear Ms. Cospers:

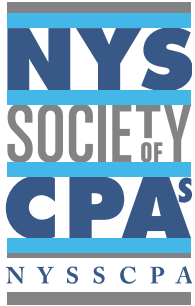
The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 26,000 CPAs in public practice, business, government and education, welcomes the opportunity to comment on the above-captioned exposure draft.

The NYSSCPA’s Financial Accounting Standards Committee deliberated the proposed accounting standards update and prepared the attached comments. If you would like additional discussion with us, please contact Margaret A. Wood, Chair of the Financial Accounting Standards Committee, at (201) 401-7844, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

Harold L. Deiters III  
President

Attachment



**NEW YORK STATE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS**

**COMMENTS ON**

**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 (A CONSENSUS OF THE FASB EMERGING  
ISSUES TASK FORCE)***

**(File Reference No. 2018-230)**

**April 27, 2018**

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Margaret A. Wood**

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## New York State Society of Certified Public Accountants

### Comments on

**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* (a consensus of the FASB Emerging Issues Task Force)**

**(File Reference No. 2018-230)**

### General Comments

We welcome the opportunity to respond to the Financial Accounting Standards Board’s (FASB or the Board) invitation to comment on the 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* (a consensus of the FASB Emerging Issues Task Force) (proposed Update).

We are pleased that the Board has taken action to address the diversity in practice arising from interpretative questions about how to account for implementation costs incurred in connection with cloud computing arrangements. Overall, we agree with the Proposed Update. Our detailed responses to the Questions for Respondents are presented below.

### Specific Comments

**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?

**Response:** We agree.

**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?

**Response:** We agree with the amendment.

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

**Response:** We believe additional guidance would be helpful in determining whether the amendments in this proposed Update apply to arrangements that include a minor hosting arrangement. We request the inclusion of a definition of a minor hosting arrangement or the addition of common or practical examples in the implementation section including one with a minor hosting arrangement, or both.

**Question 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 arrangement? Why or why not?

**Response:** The guidance for determining the project stage in Subtopic 350-40 can be consistently applied to a hosting arrangement. We expect that the preliminary project stage will correlate to activities undertaken by the entity to evaluate and select the appropriate vendor to provide the hosting arrangement. The application development stage will generally correlate to the period from executing the hosting arrangement to release for use. It is anticipated that the timeframe from completion of application development stage to post-implementation stage will be short.

**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?

**Response:** A separate impairment model should not be applied. First, the period of amortization is not expected to last more than a few years. Second, creating separate impairment models will add unnecessary complexities to impairment testing as it introduces the requirement for the reporting entity to first determine if the arrangement is internal-use software or a service contract for a hosting arrangement, and then apply the impairment model. The proposed Update simplifies the accounting for hosting arrangements by treating implementation costs similarly for arrangements that are internal-use software and service contracts.

**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?

**Response:** We agree with the proposed disclosures. We also believe providing examples or sample disclosures when implementation costs are material or related to a minor hosting arrangement would be helpful in applying the proposed Update.

**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?

**Response:** We believe the disclosures should be applied to internal-use software and hosting arrangements that include a software license as the substance of the transactions are similar and therefore the disclosures should be similar.

**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?

**Response:** The entity should be permitted to elect prospective or retrospective transition. If prospective transition is elected it should be applied to each hosting 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.

**Response:** Yes, an entity should be required to provide the proposed transition disclosures.

**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?

**Response:** The amount of time to implement the proposed amendments will vary based on the transition method selected and the amount and complexity of an entity's hosting arrangements. While many entities track these costs for evaluation, the nature of the costs may not be complete, and not all entities do so. Entities other than public business entities should be permitted additional time to apply the proposed amendments to allow time to gather the necessary information for implementation and disclosure.

**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?

**Response:** We believe the proposed amendments should be limited to transactions based on the scope of the proposed amendments. There are trends for other types of arrangements to follow the subscription model, and more research is needed to understand these arrangements and determine if deferral of such implementation costs is appropriate.