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April 30, 2018

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

File Reference No. 2018-230

Dear Ms. Cospers:

World Vision, Inc. appreciates the opportunity to comment on the Financial Accounting Standards Board's March 1, 2018, Exposure Draft of Proposed Accounting Standards Update—*Intangibles—Goodwill and Other—Internal-Use Software (subtopic 350-40)*. The comments included present the perspective of three World Vision representatives: Douglas Treff, Jennifer Brenner and Eric Wetterling.

World Vision supports the Board's objective of addressing diversity in practice on the issue of accounting for implementation costs of a hosting arrangement that is a service contract. We believe that changes such as capitalizing certain costs incurred during the application development stage will assist in improving the consistency, comparability, and usefulness of the information provided in the financial statements.

Not-for-profits and for-profit entities alike are regularly entering into computing arrangements, whether cloud computing or on-premise. The arrangement of the software may differ, but the expected future benefit beyond the period of implementation is similar. World Vision believes that it is in the best interest of financial statement users for a consistent capitalization of implementation costs regardless of the arrangement. World Vision, however, recommends this treatment be limited to hosting arrangements which are more than minor.

In summary, World Vision recommends that FASB move ahead with these changes and other proposed updates.

\* \* \* \* \*

Appendix A to this letter includes our responses to certain questions raised in the Exposure Draft.

Representatives of World Vision are available individually or collectively to discuss our

comments with Board members or staff at their convenience.

Sincerely,

World Vision, Inc.

A handwritten signature in blue ink, appearing to read "Douglas Treff", written over a horizontal line.

Douglas Treff, SVP, Chief Financial Officer

A handwritten signature in blue ink, appearing to read "Jennifer A. Brenner", written over a horizontal line.

Jennifer A. Brenner, Controller

A handwritten signature in blue ink, appearing to read "Eric J. Wetterling", written over a horizontal line.

Eric J. Wetterling, Assistant Controller

## Appendix A

### Responses to Questions

**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:** World Vision agrees that eligible implementation costs of a hosting arrangement that is a service contract be capitalized using the guidance of internal-use software, and recognized in the profit or loss statement over the term of the hosting arrangement. We agree the expense would be presented in the same line item as the hosting arrangement on the basis that the expected future benefit is linked to the hosting service.

**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:** World Vision agrees with the amended definition of hosting arrangement in the Master Glossary.

**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:** World Vision believes the guidance should be limited to contracts in which the hosting arrangement is more than minor. The added cost of capitalizing arrangements which are minor by nature of the materiality of the transaction does not enhance the usefulness of the financial statements.

**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?

**Response:** World Vision agrees the guidance for determining the project stage in Subtopic 350-40 can be consistently applied to a hosting arrangement as the project stages and associated activities occur consistently regardless of the software application's residence or licensing arrangement. Although we believe the guidance can be consistently applied based on the nature of the activities, we recommend examples illustrating hosting arrangements be added to 350-40-55 to further reduce diversity in practice and enhance consistency.

**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:** World Vision supports the use of the impairment model included in Subtopic 350-40 for hosting arrangements.

**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:** World Vision agrees the proposed disclosures of the costs capitalized during the period and the period over which costs are recognized as an expense would enhance the usability of the financial statements. We also recommend disclosures related to the amount of hosted software amortized during the period and the balance of hosted software included as a capitalized asset. However, we do not agree with the disclosure requirements for implementation costs that were expensed during the period. An entity would incur significant costs to track the implementation costs expensed, such as preliminary project stage and post-implementation costs, and we recommend this disclosure requirement be made optional or eliminated.

**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:** World Vision agrees with the disclosure requirements should be applied to both internal-use software and hosting arrangements alike because the usefulness of the disclosure is valuable regardless of the software's residence and terms of licensing.

**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:** World Vision agrees an entity should be permitted to elect prospective transition or retrospective transition. If an entity elects prospective transition, the entity should apply the transition requirements to the costs of the 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:** World Vision agrees an entity should be required to provide the transition disclosures specified in the proposed amendments.

**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:** World Vision believes entities have mechanisms and processes already in place to capture this information for internal-use software, therefore implementation may be immediate for the proposed amendments.

**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:** World Vision believes the amended definition of hosting arrangement in the Master Glossary is adequate to address the transactions necessary to bring consistency to the standards.