

April 30, 2018

Ms. Susan M. Cospers
Technical Director
File Reference No. 2018-230
Financial Accounting Standards Board (FASB)
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Proposed Accounting Standard Update, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40)*,

Dear Ms. Cospers:

We appreciate the opportunity to comment on the FASB's Proposed Accounting Standards Update, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40)*, (Proposed Update).

We support the FASB's objective to broaden the scope of Subtopic 350-40 to include costs incurred to implement a hosting arrangement that is a service contract. We agree that the proposed amendment would result in consistent capitalization of implementation costs of a hosting arrangement that is a service contract and implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use license). However, we have concerns about the disclosure requirements of the Proposed Update. We believe the disclosure principle as drafted in the Proposed Update is unclear and significantly expands the scope of costs that would be part of the disclosure. We request the FASB to not change the current disclosure guidance in Subtopic 350-40, due to the following reasons:

1. Relevance – Subtopic 350-40-50-1 directs preparers to provide disclosures applicable to internal-use software in accordance with disclosure requirements in existing authoritative literature in Topic 275, Subtopic 730-10, Topic 235 and Subtopic 360-10. We believe these disclosures provides sufficient information to investors about internal-use software. It is our perspective that the majority of the disclosure requirements in the Proposed Update are duplicative of existing disclosure requirements and may result in providing information that is not relevant or useful to investors. Additionally, the disclosure requirements as currently drafted will unintentionally expand the scope beyond the original objective of comparing costs that are capitalized under different implementation arrangements.

2. Disclosures pertaining to implementation costs – The Proposed Update require specific disclosures of implementation cost included within internal-use software development activities. We believe there is limited benefit a financial statement user would gain by the disclosure of costs relating to the implementations of new features, enhancements or updates to existing features. Currently, our systems do not specifically track these implementation activities as there was no requirement to do so. As such, we would need to build tracking mechanisms within our financial reporting system to provide a report of such activities. As stated above, we do not believe, this disclosure adds any incremental value to the financial statement user and hence the costs incurred would be purely for compliance purposes.
3. Comparability – Subtopic 350-40 does not provide a definition of what constitutes implementation cost. By increasing the scope of the disclosure requirement to include costs incurred for the development of internal use software, it increases the number of activities that would be classified as implementation activities. Consequently, different preparers could come up with a different definition of what constitutes implementation costs, further diluting the relevance of the information.

In summary, we believe the existing disclosure requirement under Subtopic 350-40 are sufficient and respectfully urge the FASB to eliminate the additional disclosure requirements of the Proposed Update.

We would be pleased to discuss our comments or answer any questions that you may have. Please do not hesitate to contact me at (201) 317-4093.

Sincerely,

Nisarg Jariwala
Director, Technical Accounting
Facebook, Inc.