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Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
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Norwalk, CT 06856-5116  
Via email: [director@fasb.org](mailto:director@fasb.org)

RE: File Reference No. 2018-230, *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*

Dear Technical Director:

Thank you for the opportunity to comment on the Exposure Draft, *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*.

BOK Financial supports the proposed accounting treatment to align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. We agree with capitalizing certain implementation costs in a hosting arrangement that is a service contract, recognizing in earnings over the term of the arrangement, and presenting in the same line in the statement of income as the fees associated with the arrangement.

In response to the questions in the Proposed ASU, we provide the following:

*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?*

As noted above, we agree and believe the proposed accounting treatment provides better consistency. Recognizing the amortization of these capitalized costs in the same line as the associated fees more appropriately presents the total expense incurred by these activities during each reporting period.

*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?*

We agree with the amended definition in the Master Glossary and have no concerns. The amended definition aligns with the proposed accounting treatment.

*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 believe the amendments in this proposed Update are adequate and no additional guidance is necessary to properly account for arrangements that include a minor hosting arrangement.

*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?*

We believe the guidance for determining the project stage in Subtopic 350-40 can be consistently applied to a hosting arrangement. Similar methodology can be applied to hosting arrangements as activities associated with a hosting arrangement and internal-use software license should be relatively consistent.

*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?*

We do not believe a different impairment model should be used for implementation costs of a hosting arrangement that is a service contract. The proposed accounting treatment used to determine capitalization is the same for a hosting arrangement and internal-use software; therefore, the impairment models should be consistent.

*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 do not believe the additional disclosures required for each specific hosting arrangement provide decision useful information to the users of the financial statements. We believe an overall policy disclosure would provide more useful information.

*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?*

As noted above, we do not believe the disclosure requirements, as written, will provide users of the financial statements with decision useful information. We believe an overall policy disclosure would be adequate to cover both internal-use software and hosting arrangements.

*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?*

We believe entities should be permitted to elect prospective or retrospective transition as many entities may not have the historical information necessary to complete a retrospective transition. If the entity elects prospective transition, we believe the entity should be able to select the level at which the transition requirements are applied as long as they are applied consistently across all arrangements.

*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.*

We believe entities should be required to provide the transition disclosures specified.

*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?*

We believe the time necessary to implement the proposed amendments will be minimal since the proposed guidance is similar to the existing guidance on internal-use software. The timeline could be increased if a retrospective approach is required.

We believe early adoption should be permitted.

*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 support a broad application of the standard to other similar transactions. The cloud computing world is evolving quickly and this guidance could potentially be applied to other arrangements.

We appreciate the opportunity to provide feedback and your consideration of our views. Please feel free to contact me ([jmorrow@bokf.com](mailto:jmorrow@bokf.com) or 918-588-8673) if you have any questions about our comments.

Sincerely,

John C. Morrow  
Senior Vice President, Chief Accounting Officer  
BOK Financial