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April 30, 2018

Russell G. Golden
Chairman
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. 2018-230

Submitted via electronic mail to director@fasb.org

Dear Chairman Golden,

Cisco Systems, Inc. ("Cisco") appreciates the opportunity to comment 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*. Cisco designs and sells a broad range of technologies that have been powering the Internet since 1984.

We appreciate the FASB's attention to this evolving area of accounting, and welcome this timely guidance to promote consistency in practice. Overall, we are supportive of the proposed amendments to align the requirements for capitalizing implementation costs incurred in a cloud computing arrangement (CCA) that is a service contract with the capitalization requirements for internal-use software in ASC 350-40. There are a few limited areas in which we suggest improvements to this proposed ASU as discussed below.

Disclosure Considerations

ASC 350-40 does not currently contain specific disclosure requirements, and instead refers users to other relevant guidance in U.S. GAAP for disclosure purposes. The proposal amends ASC 350-40 to require disclosure of qualitative and quantitative information about both internal-use software and hosting arrangements. This will require reevaluation, and in many cases expansion, of current disclosures on internal-use software and hosting arrangements.

We believe the proposal to disclose a quantitative description of the implementation costs that were expensed and capitalized during the period is particularly onerous. This information would be challenging for preparers to operationalize because it would require companies to capture specific data that is not currently tracked centrally or analyzed by companies. We also believe the proposed quantitative disclosures would be of only limited use to investors. Therefore, we are not supportive of such quantitative disclosure requirements, and request that the FASB consider eliminating this requirement.



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Transition

In addition to the retrospective and prospective transition methods proposed by the FASB, we suggest amending the proposal to permit companies to adopt using a modified retrospective method.

Hosting arrangements for large systems are becoming more common and there are a large number of arrangements that will have been entered into in prior years with ongoing (in-flight) implementations as of the adoption date of this standard. We recommend permitting the use of a modified retrospective method which would allow companies to capitalize costs incurred after the date of adoption for these in-flight arrangements, thus resulting in consistent application of the new guidance.

Effective Date

The Board requested respondents to provide feedback on the amount of time necessary to implement the proposed ASU as written. We believe public business entities will need one year to apply the proposed amendments. We believe this is a prudent timeframe considering the amount of change in the system for both users and preparers to digest. Additionally, we believe early adoption should be permitted for any entities wishing to early adopt.

Conclusion

Overall, we are supportive of the accounting conclusions reached in this proposed ASU. We suggest the following recommendations be considered:

- **Disclosure Requirements:** Eliminating the proposed requirement to disclose a quantitative discussion of the implementation costs that were expensed and capitalized during the period, and
- **Method of Adoption:** Permitting a modified retrospective method of adoption

Additionally, we suggest the Board provide public business entities one year to adopt the proposed amendments, with early adoption permitted.

We look forward to working closely with the FASB as the accounting for technology-based products and services continues to evolve. We are willing to provide the perspective of a preparer in an effort to align the accounting for these transactions to their underlying economics. Should you have any questions, we welcome the opportunity to discuss our comments further.

Sincerely,

A handwritten signature in black ink, appearing to read "Prat Bhatt", written over a horizontal line.

Prat Bhatt
Senior Vice President, Corporate Controller and Chief Accounting Officer
Cisco Systems, Inc.