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Record ID: 636606920537133741

| Question Text | Response | Status |
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| * Please select the type of entity or individual responding to this feedback form. | Preparer | Completed |
| Other, please specify (Specified) | | |
| * Please provide contact information for any follow-up questions. | (Filled in as Follows:) | Completed |
| Organization * | Huntington Ingalls Industries | |
| First name * | Nicolas | |
| Middle initial | | |
| Last name * | Schuck | |
| Email address * | nicolas.schuck@hii-co.com | |
| Phone number | | |
| 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? | Yes. We agree that the costs incurred to implement a hosting arrangement that is a service contract should be capitalized in a manner similar to internal-use software and recognized over time in profit or loss in the same line item in the statement of income as the fee associated with the hosting arrangement. | Completed |

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| <p>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?</p> | | <p>Completed</p> |
| <p>3. Is additional guidance needed to determine whether the amendments in this proposed Update apply to arrangements that include a minor hosting arrangement?</p> | | <p>Completed</p> |
| <p>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?</p> | <p>Yes. However, the implementation of technology is frequently completed using a variety of project methodologies that do not easily align with the three basic stages included in the current guidance.</p> <p>For example, companies often use an “agile development” methodology for software, with iterative “sprints” to complete the development of a specific scope of outcomes. At the completion of a sprint, a company may decide to progress development further or to reject additional development. In these instances it is difficult to determine when a preliminary project phase has completed and advanced to the application development stage.</p> <p>The Board should consider expanding the current implementation guidance to address some of the new terminology used in current practice. Additional implementation guidance should provide a framework for consistency in identifying the project stage for both current</p> | <p>Completed</p> |

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| | <p>accounting of internal-use software and hosting arrangements.</p> | |
| <p>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?</p> | | <p>Completed</p> |
| <p>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?</p> | <p>No. There does not appear to be a valid reason to add the disclosures included in the Proposed ASU specific to hosting arrangements. Hosting arrangements are not unique and current disclosure guidance for internal-use software, included in Subtopic section 350-40-50, is sufficient to provide relevant information to financial statement readers. We believe that with the narrow scope of the hosting arrangements, the additional disclosures in the Proposed ASU will be duplicative of current guidance.</p> <p>Further, we believe that the disclosures should be required to assist management and other financial statement users with their ability to make better business decisions. We do not believe that the additional disclosures in the Proposed ASU enhance the ability of management or other financial statement users to make better business decisions, more so than from disclosure requirements in the current guidance. Rather, by providing the additional information, the Proposed ASU would unnecessarily add complexity to the disclosures required by a financial statement preparer, with limited to no benefit to the financial statement users.</p> | <p>Completed</p> |
| <p>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?</p> | <p>No. Please refer to our response to Question 6.</p> | <p>Completed</p> |
| <p>8. Should an entity be permitted to elect prospective transition or</p> | <p>Yes. An entity should be permitted to elect either prospective or retrospective transition. We believe an entity should be able to use the frame-work described in the Proposed ASU to determine the costs and modules</p> | <p>Completed</p> |

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| <p>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?</p> | <p>associated with the hosting arrangement and apply the guidance corresponding with the stage of development, allowable costs for capitalization, and recognition of costs to profit or loss.</p> | |
| <p>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.</p> | | <p>Completed</p> |
| <p>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?</p> | <p>Early adoption should be permitted. We believe that many financial statement preparers will have existing processes for internal-use software that can be used to satisfy the requirements for hosting arrangements. Some of these processes may already be in use, which will accelerate the time to adopt the Proposed ASU.</p> | <p>Completed</p> |
| <p>11. Should the proposed amendments be more broadly</p> | | <p>Completed</p> |

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| <p>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?</p> | | |
| <p>Please provide any additional comments on the Proposed Update:</p> | <p>Huntington Ingalls Industries, Inc. appreciates the opportunity to comment on the Financial Accounting Standards Board’s (“the Board”) proposed accounting standards update issued on March 1, 2018 related to a customer’s accounting for implementation costs incurred in a cloud computing arrangement that is a service contract and disclosures for implementation costs incurred for internal-use software and cloud computing arrangements (the “Proposed ASU”).</p> <p>We support the overall accounting in the Proposed ASU. We believe that organizational models are evolving to leverage services as the mechanism for businesses to obtain access to technology. The costs to implement these services can be significant and do represent future benefits. We also agree that implementation costs for a cloud computing arrangement that is a service contract should be accounted for and presented on the financial statements using a model that is consistent with implementation costs incurred for other internal-use software.</p> <p>While we support the merits of the accounting treatment and presentation requirements of the Proposed ASU, we believe the additional disclosure requirements are overly prescriptive and would not yield beneficial information to users of the financial statements. The additional disclosures do not appear aligned with the Boards conceptual intent to streamline disclosures. Additionally, we request that the Board consider expanding the implementation guidance to further describe the costs that can be capitalized under the Proposed ASU.</p> | <p>Completed</p> |
| <p>Please provide any comments on the electronic feedback process:</p> | | <p>Completed</p> |

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| Below is a summary of your responses to the questions in this feedback form: | Not Answered | Not Answered |
| Thank you for your participation. If you are finished providing comments, click the 'Submit' button. | Not Answered | Not Answered |