

October 29, 2020

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

By e-mail: director@fasb.org

Re: Proposed Accounting Standards Update—*Franchisors—Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient*


(File Reference No. 2020-600)

Dear Ms. Salo:

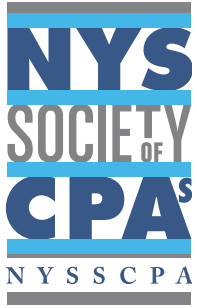
The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 22,000 CPAs in public practice, industry, government and education, welcomes the opportunity to comment on the above-captioned exposure draft.

The NYSSCPA's Financial Accounting Standards Committee deliberated the proposed accounting standards update and prepared the attached comments. If you would like additional discussion with us, please contact Jeffrey A. Keene, Chair of the Financial Accounting Standards Committee, at (732) 750-0900, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,


Edward L. Arcara
President

Attachment



**NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS**

COMMENTS ON

**PROPOSED ACCOUNTING STANDARDS UPDATE—*FRANCHISORS—REVENUE
FROM CONTRACTS WITH CUSTOMERS (SUBTOPIC 952-606): PRACTICAL
EXPEDIENT***

(File Reference No. 2020-600)

October 29, 2020

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Sean C. Prince**

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New York State Society of Certified Public Accountants

Comments on

Proposed Accounting Standards Update—*Franchisors—Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient*

(File Reference No. 2020-600)

We welcome the opportunity to respond to the Financial Accounting Standards Board’s (FASB or the Board) invitation to comment on Proposed Accounting Standards Update—*Franchisors—Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient* (proposed Update).

General Comment

We appreciate that the Board has continued to evaluate the practical challenges arising from the adoption of Topic 606 and, where prudent, provide effective date delays and practical expedients to facilitate a smooth transition to the new standard. We offer our responses to the Questions for Respondents below.

Questions for Respondents

Question 1: Do you support introducing guidance for franchisors that are not public business entities to account for pre-opening services provided to a franchisee? Please explain why or why not.

Response: We support introducing the proposed guidance for private franchisor entities. Franchisors often provide a suite of initial services to franchisees to support the launch of the franchised business. Currently, under Accounting Standards Codification (ASC) 606, each of these services must be evaluated to determine if it represents a separate performance obligation. If it does, then the reporting entity must estimate the standalone selling price of each performance obligation and allocate the total consideration to each performance obligation. In practice, this can be a time-consuming and complex process as the identified performance obligations are generally not separately offered by the franchisor and tailored for the franchised business.

Question 2: Should the scope of the amendments in this proposed Update be limited to franchisors that are not public business entities? Alternatively, would it be appropriate for entities in other industries with comparable arrangements that are not within the scope of the proposed Update to analogize to the amendments? Please explain why.

Response: We believe the scope of the proposed amendments should be limited to franchisors that are not public business entities. Such limited scope is supportable based on the considerations outlined in the FASB's Private Company Decision-Making Framework and considerations pervasive in the franchise business (e.g., the common practice of pre-opening services, etc.). Furthermore, we believe this amendment should be limited to the franchise industry, and we do not believe permitting application by analogy is prudent.

Question 3: Would the proposed amendments to simplify Step 2—identify the performance obligations—reduce the cost and complexity of applying Topic 606 to pre-opening services? Please explain why or why not.

Response: We believe the proposed amendment will reduce the cost and complexity of applying Topic 606, as reporting entities will have a practical expedient to combine all of the eligible pre-opening services into a single performance obligation and, therefore, not be required to separately identify each pre-opening distinct performance obligation and allocate the transaction price accordingly.

Question 4: In paragraph 952-606-25-3, the proposed amendments would reinstate superseded guidance from paragraph 952-605-25-4 as a required criterion for applying the practical expedient. Is this guidance operable? Please explain why or why not.

Response: We believe this guidance is operable. Franchise entities have deep experience applying Subtopic 985-605 and reinstating former guidance should not pose a significant burden to reporting entities.

Question 5: Should the scope of the proposed amendments be limited to preopening services? If not, please explain why.

Response: We agree the scope should be limited. The most common challenge we have observed being faced by franchisor entities is trying to determine which, if any, pre-opening services are distinct in the context of the contract. This practical expedient addresses that concern.

Question 6: Is additional guidance about other aspects of applying Topic 606 to pre-opening services needed for the proposed amendments to be operable? If so, what specific guidance is needed?

Response: We do not believe additional guidance is required for the proposed amendments to be operable.

Question 7: Should entities that elect to apply the practical expedient be required to disclose that fact? Do the proposed amendments provide decision-useful information for users of financial statements? If not, please explain why.

Response: We believe that entities that elect to apply the practical expedient should disclose that fact. As noted earlier, we believe the practical expedient and the effect it may have on comparability is justified by the considerations in the Board's Private Company Decision-Making Framework.

Question 8: Should entities that have not yet adopted Topic 606 be required to apply the transition provisions and effective date in paragraph 606-10-65-1 to the proposed amendments? If not, please explain why.

Response: Yes.

Question 9: Should entities that have already adopted Topic 606 be required to apply the proposed amendments on a full retrospective basis, including an entity's first reporting period under Topic 606? If not, please explain why.

Response: Yes.

Question 10: For entities that have already adopted Topic 606, should the proposed amendments be effective for annual reporting periods beginning after December 15, 2020, including interim reporting periods within that period, with early application permitted? If not, please explain why.

Response: Yes.