

November 4, 2020

Technical Director
File Reference No: 2020-600
FASB
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Submitted via email to: director@fasb.org

Re: Proposed Accounting Standards Update – Franchisors – Revenue from Contracts with Customers (Subtopic 952-606)

Dear Technical Director:

The Virginia Society of CPAs (VSCPA) Accounting and Auditing Advisory Committee has reviewed the proposed Exposure Draft (ED), *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, issued by the Government Accounting Standards Board (the Board). The VSCPA is a leading professional association dedicated to enhancing the success of all CPAs and their profession by communicating information and vision, promoting professionalism, and advocating members' interests. The VSCPA membership consists of more than 13,000 individual members who actively work in public accounting, private industry, government and education. We acknowledge that the Board has issued the ED in an effort to increase stakeholder awareness to this particular topic as a part of its ongoing Codification Improvements project. The Committee appreciates the work the Board has undertaken on this effort and the opportunity to respond to the ED.

The Committee offers the following comments related to the the ED:

- **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.**

The Committe supports the proposed guidance for private franchisor entities. In many cases, estimating the standalone value of each pre-opening service and this guidance allows private franchisors to avoid that issue by accounting for all of the pre-opening services together.

- **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.**

Yes, the Committee believes the scope of the amendments should be limited to franchisors that are not public entities, consistent with current private company practices supported by FASB. We also believe that limiting this guidance would be appropriate rather than extending the guidance to other industries.

- **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.**

The Committee believes the proposed amendments would reduce both cost and complexity. Much of the cost and complexity comes from having to assign values to different pre-opening services and by allowing private franchisor businesses combine those services will alleviate the most expensive and complex requirements.

- **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.**

The Committee believes this guidance is operable. As most affected entities were using prior guidance, reinstating it should not pose much of an issue.

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

Yes, the Committee believes the scope should be limited to pre-opening services.

- **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?**

No, the Committee does not feel additional guidance is necessary.

- **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.**

The Committee believes disclosure of application of the practical expedient should be required.

- **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.**

Yes, the Committee agrees that entities should be required to apply the transition provisions and effective date in paragraph 606-10-65-1.

- **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.**

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.**

Yes.

Again, the Committee appreciates the opportunity to respond to this Exposure Draft. Please direct any questions or concerns to VSCPA Vice President, Advocacy Emily Walker, CAE, at ewalker@vscpa.com or (804) 612-9428.

Sincerely,

Natalya Yashina, CPA
Chair, VSCPA Accounting & Auditing Advisory Committee
2020–2021

2020–2021 VSCPA Accounting & Auditing Advisory Committee:

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