

To the FASB,

Attached are my responses to the questions posted in the Exposure Draft of Revenue from Contracts with Customers (Subtopic 952-606).

Thanks for considering my concerns.

Best regards,

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Practical Expedient

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.

- Yes, guidance for non-public entities in applying Topic 606 and 952, is adequate. This is because the main issue to-be addressed in this proposal is private companies already deferring part or all of the initial franchise fee rather than accounting for the payment as a lump sum.

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.

- No, the update should not be limited to non-public entities due to its substantial aid in identifying a single group of components that constitute a franchise fee. Other industries not within the scope of this update should consider guidance but use professional judgement with-regard to comparability.

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.

- Yes, a predefined list of activities does indeed reduce the cost and complexity of applying topic 606. Instead of performance obligations needing to-be identified and separated in step 2 of pre-opening services, the list will provide clear objective to improve efficiency and reduce risk of misapplication.

Question 4: In paragraph 952-606-25-3, the proposed amendments would reinstate superseded guidance from paragraph 952-605-25-4 as a required criterion for applying the practical expedient.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.

- Yes, requiring the superseded guidance from paragraph 952-605-25-4 is operable as a criterion for applying the practical expedient. This is because small continuing fees that fail to cover continuing services with a large initial franchise fee could misrepresent the nature of the benefits received on the part of the franchisor.

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

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- No, the scope of the amendment should exclusively apply to pre-opening services as many of the pre-opening activities are not recurring such as finding a location for the franchise.

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, further guidance is not required as the main issue is identifying performance obligations and recognizing the initial franchise fee in-order to start the franchise itself.

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.

- Yes, entities that elect to apply the practical expedient should be required to disclose the fact due to the potential for amortization of the initial franchise fee being taken to match revenues with the franchisor's cost of continuing service. This is because a decision maker may better grasp the nature of the franchise agreement and understand the departure from traditionally recognizing the initial fee as a single lump sum.

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.

- No, entities that have not adopted Topic 606 should not be required to apply the transition provisions and effective date due to a major difference in a non-public entity's reporting period. This requirement would raise costs and complexity for private entities that already depart from Topic 606, especially if the entity has substantial reason for ending their reporting period on a date other than December 15th.

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, entities that have already adopted Topic 606 should be required to apply the amendment on a full retrospective basis because amortization on an initial fee after the effective date would differ from continuing service figures of the past, potentially compromising historical comparability of the financial statements.

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.

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- Yes, entities that have already adopted Topic 606 would need time to adopt to the proposed amendments, thereby legitimizing the change to be effective after December 15th, 2020 with early application being permitted.