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October 3, 2016

Via email to director@fasb.org

Susan M. Cospers
Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: Technical Corrections and Improvements to Update No. 2014-09, Revenue from Contracts with Customers (Topic 606)—Additional Corrections (File Reference No. 2016-320)

Dear Ms. Cospers:

We are pleased to provide comments on the Board's proposal to clarify additional aspects of the new revenue standard through technical corrections and improvements.

We generally agree with the proposed revisions. However, we believe certain clarifications will be necessary in the final amendments, as elaborated in the Appendix to this letter.

We would be pleased to discuss our comments with the FASB staff. Please direct questions to Ken Gee at (415) 490-3230 or Angela Newell at (214) 689-5669.

Very truly yours,

A handwritten signature in black ink that reads "BDO USA, LLP". The letters are written in a cursive, slightly slanted style.

BDO USA, LLP

Appendix

Question 1: The proposed amendments are intended to improve the clarity of the scope of Topic 606 for guarantees (other than product or service warranties) that are within the scope of Topic 460, Guarantees. Would the proposed amendments clarify the scope of the guidance? If not, please explain why and suggest alternatives. (Issue 1)

We agree that the proposed amendments would clarify that guarantee fees within the scope of Topic 460 (other than product or service warranties) are not within the scope of Topic 606.

Question 2: The proposed amendments are intended to provide a better link between Example 38, Case B in Topic 606 and the presentation guidance in paragraphs 606-10-45-2 through 45-4. Would the proposed amendments better align the example with the guidance? If not, please explain why and suggest alternatives. (Issue 2)

We agree that the proposed amendments would provide greater consistency between the analysis in Example 38, Case B and the receivables presentation guidance in Topic 606. However, we believe further clarification would be helpful.

Specifically, paragraph BC8 in the Basis for Conclusions indicates there is diversity in practice under current guidance about whether an asset is a receivable or some other debit balance, while also indicating that the Board does not believe that the presentation guidance in ASC 606-10-45-4 will significantly change current practice. We note that advance billing may be the basis for some of the diversity noted in practice, and we believe that a strict application of the guidance in 606-10-45-4 and Example 38, Case B could result in a change from current practice, contrary to the language in paragraph BC8. For example, when billing in advance for services, some companies may net the receivable and the deferred revenue, especially if the service can be cancelled for a full or partial refund, while others may report the receivable and deferred revenue gross on the balance sheet.

Consider an example: a telecommunications provider bills a customer on September 20th for home phone service for the period from September 21st through October 20th. The service can be cancelled at any time during the month for a full refund of the portion of the monthly service not used. Under current GAAP, this telecommunications provider may record the gross receivable initially on September 20th because it believes a legal receivable exists, despite the fact that it is not an unconditional right to cash due to the possibility of cancellation. In the third quarter financial statements, two-thirds of the amount would be presented as deferred revenue because it has not yet been earned. Other telecommunications providers do not report the receivable and deferred revenue at their gross amounts under current practice, but instead report a net amount. We believe that under ASC 606, gross presentation would not be acceptable because the advance billings do not become noncancelable until the related services are rendered. Some might view this change to be significant, and as such, we do not understand the statement in BC 8, that the "this guidance should not result in a significant change in practice from current GAAP." Additionally, we find the following sentence in BC 8 that indicates that the guidance in ASC 606 may not resolve some of the diversity in current practice to be confusing absent further clarification or examples.

Question 3: The proposed amendments are intended to improve the clarity of Example 40 in Topic 606 by removing the term contract liability from the journal entry in the example. Would the proposed amendments improve the clarity of the example? If not, please explain why and suggest alternatives. (Issue 3)

We agree that the proposed amendments would clarify the example such that a refund liability is not characterized as a contract liability. However, we believe further guidance on refund liabilities would be beneficial.

Paragraph BC9 states the Board “did not intend to conclude that a refund liability is a contract liability.” However, the next sentence says “an entity should determine whether a refund liability should be characterized as a contract liability on the basis of the specific facts and circumstances....” These statements appear to contradict the Board’s stated intention to avoid diversity/unintended outcomes. In addition, it raises additional questions about when a refund liability would be considered a contract liability. We recommend including implementation guidance to clarify when a refund liability might be considered a contract liability. Further, we note that in situations in which a refund liability is determined to be a contract liability based on the above, the question raised about determining which exchange rate to use for translating such liabilities would continue to exist.

Question 4: The proposed amendments would reinstate the guidance on accrual of advertising costs that was previously included in paragraph 340-20-25-2. Do the proposed amendments improve the clarity of the accounting? If not, please explain why and suggest alternatives. (Issue 4)

We support the proposal to reinstate the guidance on accrual of advertising costs in paragraph 340-20-25-2.