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April 16, 2019

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: Compensation—Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606): Codification Improvements—Share-Based Consideration Payable to a Customer (File Reference No. 2019-400)

Dear Ms. Cospers:

We are pleased to provide comments on the Board's proposal to provide guidance on the measurement and classification of share-based payments to customers. We support the Board's ongoing projects to improve the Codification and clarify its application.

Our responses to the Board's specific questions, along with our suggestions, are provided in Appendix A to this letter.

We would be pleased to discuss our comments with the FASB staff. Please direct questions to Angela Newell at (214) 689-5669, Jin Koo at (214) 243-2941 or Jennifer Kimmel (617) 239-7019.

Very truly yours,

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

BDO USA, LLP

Appendix A

Compensation—Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606): Codification Improvements—Share-Based Consideration Payable to a Customer (File Reference No. 2019-400)

Question 1: Do you agree that share-based payment awards issued to customers as consideration payable should be measured at the grant date of the award? If not, why should there be a difference in the measurement date for share-based payment awards issued to customers and nonemployee share-based payment awards, and what other alternatives would be more appropriate?

Yes, we agree that share-based payment awards issued to customers as consideration payable should be measured at the grant date of the award in accordance with Topic 718.

Question 2: Do you agree that share-based payment awards issued to customers as consideration payable should be classified in accordance with the guidance in Topic 718?

Overall, we agree that share-based payment awards issued to customers as consideration payable should be classified in accordance with the guidance in Topic 718.

Share-based payment awards that require cash settlement are classified as liabilities and are remeasured each reporting period through settlement date under Topic 718. However, we do not believe this concept is carried over in the proposed Update because the amendments in paragraph 606-10-32-25A would require that “[c]hanges in the measurement of the equity instrument (through the application of Topic 718) after the grant date that are due to the form of the consideration are not included in the transaction price. Any changes due to the form of the consideration shall be reflected elsewhere in the grantor’s income statement”. In other words, only the initial measurement of the cash-settled award is included in the transaction price.

Conceptually, we believe the ultimate cash settlement amount should be included in the transaction price consistent with the liability concept under Topic 718 and consistent with the concept that the form of payment should not change the accounting result. However, we recognize that subsequent measurement being included in the transaction price would lead to increased volatility in revenue for a contract with a customer, which may not provide useful information. If the Board agrees that such remeasurement will not provide useful information, we suggest acknowledging the rationale in the Basis for Conclusions of the final Update.

Question 3: Do you agree that the amendments in this proposed Update provide sufficient guidance to account for share-based consideration to a customer?

The amendment in paragraph 718-10-35-10(d) would require a freestanding financial instrument issued to a grantee that “vests in the award and is no longer a customer” to not be subject to the recognition and measurement guidance within Topic 718. Also, the amendment in paragraph 718-10-30-20B(b) would provide a practical expedient on the expected term to nonpublic entities that issue awards with certain characteristics, one of which is that the grantee “ceases to be a customer”. We ask that the Board provide guidance on when a grantee ceases to be (or no longer is) a customer. While it is clear when a grantee is no longer an employee or nonemployee providing goods or services, we believe it is less clear when a grantee is no longer (or ceases to be) a customer. In other words, a grantee can continue to be a customer indefinitely as long as it purchases goods or services from the entity, which could include long periods of time between purchases.

Question 4: Are the transition requirements for the proposed amendments appropriate? If not, what transition approach would be more appropriate and why?

We generally agree with the transition requirements for the proposed amendments.

For entities that have adopted the amendments in Update 2018-07, the same transition provisions as those in Update 2018-07 would be applied retrospectively to all relevant prior periods beginning with the original adoption date of the amendments in Update 2018-07 through a cumulative-effect adjustment to retained earnings. However, paragraph 718-10-65-15(b)(2) is unclear whether the cumulative-effect adjustment should be made to opening retained earnings at the beginning of the earliest comparative period presented. We suggest clarifying whether the Board intends that approach vs. a modified retrospective approach in which the cumulative-effect is recorded in the period of adoption and prior periods are not affected.

Question 5: How much time would be necessary to adopt the proposed amendments? Should early adoption be allowed?

We believe that entities should be able to implement the proposed amendments within a reasonable timeframe because most entities are familiar with the measurement and classification concepts in Topic 718.

Also, we agree that early adoption be permitted.