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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) (File Reference No. 2016-240)

Dear Ms. Cospers:

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

We generally agree with the proposed revisions. We also 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 blue ink that reads "BDO USA, LLP". The signature is written in a cursive, slightly slanted style.

BDO USA, LLP

Appendix

Question 1: The proposed amendments to Subtopic 340-10, Other Assets and Deferred Costs—Overall, would supersede the guidance on accounting for pre-production costs related to long-term supply arrangements. Consequently, an entity would apply the guidance in Subtopic 340-40, Other Assets and Deferred Costs—Contracts with Customers, if the costs relate to a contract with a customer. Do the proposed amendments resolve the scope issue? If not, please explain why and suggest alternatives. (Issue 1)

We agree that the proposed amendments would resolve the scope issue by requiring preproduction costs related to a contract with a customer to be accounted for under Subtopic 340-40. However, we note that this may result in a change in practice for certain entities, as Subtopic 340-10 contains certain reimbursement provisions, while Subtopic 340-40 does not contain comparable provisions.

Question 2: The proposed amendments are intended to improve the clarity of the impairment testing requirements in Subtopic 340-40. Would the proposed amendments improve the clarity of these requirements? If not, please explain why and suggest alternatives. (Issue 2 and Issue 3)

We agree that the proposed amendments would improve the clarity of the impairment testing requirements in Subtopic 340-40.

Question 3: The proposed amendments would provide an accounting policy election about the level at which the provision for loss contracts is determined. Would the proposed amendments improve the operability of applying the guidance on the provision for loss contracts in Topic 605, Revenue Recognition? If not, please explain why and suggest alternatives. (Issue 4)

We support the proposed policy election to allow a provision for loss contracts to be determined at either the contract level or the performance obligation level.

Question 4: The proposed amendments are intended to improve the clarity of the scope of Topic 606 for contracts within the scope of Topic 944, Financial Services—Insurance, and fixed-odds wagering contracts for an entity within the scope of Topic 924, Entertainment—Casinos. Would the proposed amendments improve the clarity of the scope guidance? If not, please explain why and suggest alternatives. (Issue 5 and Issue 8)

We generally agree with the proposed clarification to the scope of Topic 606 regarding contracts within the scope of Topic 944. However, the Board may wish to consider further clarifying the scope of Topic 944 for consistency of application. For instance, we understand that there is currently diversity in practice on whether ancillary services provided by insurance companies (e.g., health assessment tools, nurse call centers, etc.) fall within the scope of Topic 944, or if they are subject to the guidance in Topic 605, and thus will be subject to the guidance in Topic 606.

We also generally agree with the proposed new scope exception for fixed-odds wagering contracts within the scope of proposed ASC 924-815.

It may also be helpful to clarify whether certain other types of gaming transactions that casinos currently present as revenue from customers would continue to be presented as such under Topic 606, such as revenues from table games and slot machines. In these instances, the odds are fixed by the casino or statistically known by the casino, but may not be known by the casino customer. We note that the short-term nature of these arrangements might result in consistent accounting under both Topic 606 and Topic 815; however, the presentation and disclosure requirements differ under those two topics.

Question 5: The proposed amendments would provide an additional practical expedient to the disclosure of remaining performance obligations in specific situations in which an entity need not estimate variable consideration to recognize revenue. Would the addition of this practical expedient diminish the usefulness of the disclosure information? If yes, please explain why. Would the proposed amendments reduce the cost and complexity of applying Topic 606? If not, why? Are there other situations in which an entity would be required to estimate variable consideration for disclosure but not for purposes of recognizing revenue? (Issue 6)

We generally support the addition of the practical expedient, however, we note that it may provide only limited relief to reporting entities. Paragraph 606-10-50-14A(b) specifies that the practical expedient applies only to "wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a distinct good or service that forms part of a single performance obligation" (emphasis added). This language appears to indicate that once an entity has begun work to satisfy a performance obligation or promise, the practical expedient would no longer be available. In order for the practical expedient to provide more practical reporting relief, we suggest removing the word "wholly" as it appears in two places in that paragraph.

Question 6: The proposed amendments to the disclosure requirement in paragraph 606-10-50-15 are intended to expand the information disclosed when an entity applies one or more of the practical expedients in paragraphs 606-10-50-14 through 50-14A. Do you agree with the proposed amendments? If not, what information should an entity be required to disclose about its remaining performance obligations when one or more of the practical expedients are applied? (Issue 6)

We agree with the proposed changes to the disclosure requirements.

Question 7: While not proposed in this Exposure Draft, should an entity that applies one or more of the practical expedients to the disclosure of remaining performance obligations be required to disclose the amounts of variable and fixed consideration recognized in current-period revenue for contracts to which the entity applies one or more of the practical expedients? What would be the costs associated with including that disclosure? Would that disclosure provide useful information? Also, should an entity that applies one or more of the practical expedients be required to disclose information (for example, remaining contract duration) about each major customer as that term is used in Topic 280, Segment Reporting (that is, customers with revenue equal to or greater than 10 percent of total revenue)? (Issue 6)

We do not believe additional disclosure requirements are needed when an entity applies the practical expedient(s).

Question 8: The proposed amendments to Example 7 in Topic 606 are intended to improve the alignment of the analysis in the example and the guidance in paragraph 606-10-25-12. Do the proposed amendments align the example with the guidance in paragraph 606-10-25-12? If not, please explain why and suggest alternatives. (Issue 7)

We agree with the proposed amendments.

Question 9: The proposed amendments are intended to align the cost capitalization guidance for the capitalization of direct incremental costs for investment companies within the scope of Topic 946, Financial Services—Investment Companies, for advisors to public and private funds. Do the proposed amendments align the accounting for advisors to both public funds and private funds? If not, please explain why and suggest alternatives. (Issue 9)

We agree that consistency between public and private funds is important, and thus support the Board's efforts to improve that consistency.

However, it is unclear to us why the Board has decided to maintain industry-specific guidance in 946-720-25-4 regarding "incremental direct costs" as opposed to having advisors apply the guidance in ASC 340-40-25-1 through 25-4 regarding "incremental costs of obtaining a contract," given the similarities of this issue to the one about production costs in Question 1 above where the Board determined entities should apply ASC 340-40. If the Board maintains industry-specific guidance for this situation in the final amendments, additional explanation on this point in the basis for conclusions would be helpful.