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Mr. Russell G. Golden FASB Technical Director Financial Accounting Standards Board 401 Merritt 7 PO Box 5116 Norwalk, CT 06856-5116

File Reference No. 1660-100

Dear Mr. Golden:

We are pleased to comment on the Discussion Paper on the Preliminary Views on Revenue Recognition in Contracts with Customers (Discussion Paper). Overall, we support the efforts of the Financial Accounting Standards Board and the International Accounting Standards Board (Boards) to provide a single source of comprehensive guidance on revenue recognition, but we have some significant concerns as follows:

- Definition of a contract (Question 3). We believe the Boards' definition of a contract would be
 clearer if it adhered more closely to the definition cited from Black's Law Dictionary by including the
 term "otherwise recognizable at law". In addition, if the Boards have not already done so, given the
 importance of the definition of a contract, we suggest they discuss this definition with those in the
 legal community prior to finalizing this Standard.
- **Definition of a performance obligation** (Question 4). We suggest the Boards clarify the definition of a performance obligation, including some application guidance. Examples of criteria or factors to use in identifying performance obligations would be useful, including some examples in the final standard relating to the situations mentioned in our detailed response.
- Control of a promised good and receipt of a promised service (Question 8). We believe the
 concepts of control of a promised good and receipt of a promised service should initially be
 discussed at a higher level than currently included in the Discussion Paper by defining these
 concepts as well as articulating the underlying principle that should be considered when evaluating
 whether a customer controls a good or receives a service. Furthermore, we believe there should
 be additional, more complex examples included in the Standard as well as factors to consider
 when evaluating the underlying principle.
- Onerous performance obligations (Question 10). We do not believe a performance obligation should be deemed onerous and remeasured to the entity's expected cost of satisfying the performance obligation if that cost exceeds the carrying amount of the performance obligation. As the Boards determined that performance obligations in general should not be remeasured, we believe that there should be no exceptions to that principle.

 Recognition of contract origination costs as expenses (Question 11). We believe that the Standard should not address the associated cost recognition and current practice on cost recognition/deferral should continue until addressed by the Boards as part of a separate comprehensive project on cost recognition.

These concerns are discussed in further detail in the remainder of our response below, along with other comments and suggestions for your consideration on the thirteen discussion questions on which specific comment is sought and other matters.

Comments on Discussion Questions

Question 1: Do you agree with the Boards' proposal to base a single revenue recognition principle on changes in an entity's contract asset or contract liability? Why or why not? If not, how would you address the inconsistency in existing standards that arises from having different revenue recognition principles?

We believe that in most cases, the recognition of revenue based on changes in an entity's contract asset or contract liability would result in decision-useful information to investors.

Question 2. Are there any types of contracts for which the Boards' proposed principle would not provide decision-useful information? Please provide examples and explain why. What alternative principle do you think is more useful in those examples?

Given the active project on the Boards' agendas for insurance contracts, we believe those contracts should be excluded from the scope of this project. In addition, we think derivative contracts should be excluded from the scope as well and continue to be accounted for consistent with current GAAP.

Furthermore, we believe it would be helpful for the Board to include some examples in the final Standard to illustrate the application of the Boards' proposed principle to typical contracts entered into by entities in certain major industries that are not currently addressed in the Discussion Paper, such as banks and other financial institutions. While we would not suggest that the Board specifically include examples illustrating the application of the Boards' proposed principle for all industries within a final Standard, we believe examples to address some typical contracts in major industries would facilitate better understanding of the overarching principles.

Question 3: Do you agree with the Boards' definition of a contract? Why or why not? Please provide examples of jurisdictions or circumstances in which it would be difficult to apply that definition.

We believe the Boards' definition of a contract would be clearer if it adhered more closely to the definition cited from Black's Law Dictionary in Section 2.13 of the Discussion Paper by including the term "otherwise recognizable at law". From a legal standpoint, without this phrase one might argue that an agreement between two or more parties does not meet the Boards' definition of a contract and is scoped out of the project since both parties may not necessarily be forced to complete their obligations. Rather, if either party doesn't complete their obligations, they may simply be required to settle the breach of contract by paying damages.

In addition, if the Boards have not already done so, given the importance of the definition of a contract, we suggest they discuss this definition with those in the legal community prior to finalizing this Standard. We are concerned if the definition remains as included in the Discussion Paper (an agreement between two or more parties that creates enforceable obligations) an attorney may not be able to easily determine whether this definition is met and therefore may not be able to give an opinion regarding whether an agreement is a contract. Furthermore, the Boards should clarify whether their intent was for preparers to be required to seek legal advice in certain situations when determining whether an agreement meets the definition of a contract as proposed. If this is the case, preparers may have to incur significant costs in some cases to conclude as to whether an agreement is within the scope of this Standard.

Question 4: Do you think the Boards' proposed definition of a performance obligation would help entities to identify consistently the deliverables in (or components of) a contract? Why or why not? If not, please provide examples of circumstances in which applying the proposed definition would inappropriately identify or omit deliverables in (or components of) the contract.

We believe there are situations in which the proposed definition of a performance obligation would not be clear and therefore entities may not consistently identify deliverables in a contract. For example, the proposed definition includes the phrase "promise in a contract with a customer to transfer an asset". This phrase is not entirely clear to us when evaluating whether contractual assets that are deliverable only at a customers' option are considered performance obligations. While these deliverables do represent promises in a contract, the transfer of the related asset is contingent upon the exercise of the option by the customer and in the customers' control. We are not sure whether these optional deliverables would be considered performance obligations based on the proposed definition.

A similar deliverable that we would struggle with evaluating based on the proposed definition is a "when-and-if available" upgrade, which is often included in software agreements as part of postcontract customer support (PCS). This deliverable is a promise to deliver a software upgrade that is contingent on the vendor developing the upgrade, which may or may not happen. As a result, this deliverable is within the vendor's control. While the current guidance under AICPA Statement of Position (SOP) 97-2, Software Revenue Recognition, would treat these items as deliverables, it's not clear to us if they meet the proposed definition of a performance obligation. When a revenue agreement that includes "when-and-if available" upgrade rights is acquired as part of a business combination, current practice is mixed as to whether a liability is recognized for these upgrade rights and the Emerging Issues Task Force (EITF) was unable to conclude on this issue in EITF 04-11, Accounting in a Business Combination for Deferred Postcontract Customer Support Revenue of a Software Vendor. We believe this is relevant as the EITF was evaluating whether these upgrade rights were considered a legal performance obligation, which is similar to the evaluation that will be required based on the proposed definition of a performance obligation.

If these types of promises in a contract are considered to be performance obligations (which we believe they ultimately should be), it would be unclear to us how to measure the standalone selling price of these performance obligations in certain instances. For example, a customer may have the option of purchasing up to a maximum quantity of assets at a fixed price. In this instance, would the measurement of the standalone selling price be based on the maximum quantity that could be purchased at the fixed price, the vendor's probability-weighted estimate of the quantity to be purchased, or some other basis? Also, in the when-and-if-available upgrade rights example discussed

previously, would the measurement of the standalone selling price be based on the assumption that all customers will accept the upgrade or should the vendor estimate the number of customers that they expect to accept the upgrade?

Another example of a situation in which it may be unclear whether there is a performance obligation based on the proposed definition is certain customer sales incentives. For example, assume a customer purchases a product and as a result of that purchase receives a coupon for 20% off of any future purchase in the following month. We believe this is considered a performance obligation in the generic sense as the vendor would be required to deliver the future product at a discount if the customer purchases it. However, since it is contingent as discussed in the previous examples, we believe it is unclear whether this is a performance obligation based on the proposed definition. In addition, if these are considered performance obligations, we believe the measurement guidance should be clarified to note that the measurement of these types of sales incentives should be based on the value to be given to a customer as compared to other similarly situated customers. In other words, if every customer that purchases a product receives this same 20% coupon, we would expect from a measurement standpoint that very little value would be ascribed to this performance obligation.

Certain additional examples at each end of the spectrum of probability may be helpful to consider when evaluating how the standalone selling price of performance obligations that are deliverable only at a customer's option in the future should be measured along with whether the probability of exercise should be considered in the measurement. These examples would be: a) a 20% off coupon given to a customer by a grocery store due to the customer's purchase volume that can be utilized for the next year (high likelihood of exercise) and b) a right to a 20% discount off of the price of a large SUV given to a customer as a result of their purchase of a small hybrid car that can be utilized in the next three months (low likelihood of exercise).

From a practical standpoint, we are also concerned that in certain instances the proposed definition of a performance obligation may result in entities identifying hundreds if not thousands of performance obligations in certain long-term contracts. While we would not suggest the Boards include a bright-line as to the maximum number of performance obligations that can be identified in a contract, we would appreciate this being considered in future discussions.

Overall, we suggest that the Boards clarify the definition of a performance obligation, include some application guidance on this definition as well as examples of criteria or factors to use in identifying performance obligations, and include some examples in the Standard relating to the situations mentioned above, along with discussing the related measurement guidance. Furthermore, we believe it would be helpful for the Boards to explain whether it is relevant in the determination of a performance obligation that the promise to deliver an asset on a contingent basis is either in the control of the customer or the vendor.

Question 5: Do you agree that an entity should separate the performance obligations in a contract on the basis of when the entity transfers the promised assets to the customer? Why or why not? If not, what principle would you specify for separating performance obligations?

We do not agree that performance obligations should necessarily be separated on the basis of the timing of the transfer of assets to the customer. While we believe this concept is appropriate when an entity is solely delivering multiple tangible products or solely delivering multiple services at the same

time, we think it would not be appropriate when both tangible products and services are delivered to a customer at the same time. Due to reporting requirements of the Securities and Exchange Commission (SEC) or otherwise, entities are often required to separately classify revenue between tangible products and services on the face of the income statement. In these cases, since the Discussion Paper would not require entities to separate performance obligations that are delivered to a customer at the same time, these entities would have to separately determine the amounts to allocate to the tangible product or service with no specific framework to follow. A simple example of this would be an entity selling an appliance (tangible product) to a customer and performing installation (service) of the product at the same time. As such, we believe all performance obligations should be separated regardless of the timing of the asset transfer. In many cases this will result in the same answer as described in the Discussion Paper, while also providing a framework for separation in the instances mentioned above. Also, from a practical standpoint, we believe this would also result in only separating performance obligations delivered at the same time if they are a combination of products and services. Otherwise, it will not be necessary, and effectively the guidance in this Discussion Paper would be followed.

As an alternative, we believe the guidance in the Discussion Paper may be appropriate as currently proposed with some additional language added to address the scenario mentioned in the previous paragraph. A statement such as the following could be used: "If an entity delivers multiple performance obligations at the same time and is required to allocate an amount to each of these performance obligations solely for classification purposes in the income statement, the guidance for separation of multiple performance obligations in the Standard should be followed." This may be a simpler way to accomplish the same objective of giving entities a framework to follow for the situations discussed in the previous paragraph.

Question 6: Do you think that an entity's obligation to accept a returned good and refund the customer's consideration is a performance obligation? Why or why not?

We believe an entity's obligation to accept a returned good and refund the customer's consideration is a performance obligation, albeit one that is contingent. Refer to our response to Question 4 for further discussion of our views on the proposed definition of a performance obligation which are relevant to this response as well. However, we struggle in this situation with a conclusion that revenue should be allocated to this type of performance obligation for the reasons noted by the Boards in the Discussion Paper. We believe the current accounting for sales returns under FASB Statement No. 48, *Revenue Recognition When Right of Return Exists*, is consistent with the economics of transactions, provides decision-useful information to users and is generally straightforward, well understood and applied. If this guidance were to be significantly modified in a new revenue recognition standard, it would likely add significant complexity to the accounting without a significant benefit to users of financial statements. As such, we would encourage the Boards to attempt to determine a conclusion that adheres to the principles that will be included in the revenue recognition standard while also not significantly changing the current model of accounting for sales returns if possible.

Question 7: Do you think that sales incentives (for example, discounts on future sales, customer loyalty points, and "free" goods and services) give rise to performance obligations if they are provided in a contract with a customer? Why or why not?

As noted in our response to Question 4, we believe sales incentives provided in a contract with a customer should be considered performance obligations. However, since these incentives are contingent, we believe it is unclear that these are performance obligations based on the proposed definition. As previously noted we suggest that the Boards clarify the definition of a performance obligation and include some application guidance on the definition as it relates to sales incentives. Furthermore, if sales incentives are considered performance obligations, we believe the measurement guidance should be clarified to note whether factors such as expected customer use of the sales incentive and those noted in the response to Question 4 should be considered.

Question 8: Do you agree that an entity transfers an asset to a customer (and satisfies a performance obligation) when the customer controls the promised good or when the customer receives the promised service? Why or why not? If not, please suggest an alternative for determining when a promised good or service is transferred.

We agree that an entity transfers an asset to a customer when the customer controls the promised good or receives the promised service. In determining when to recognize revenue based on an asset and liability approach, control of the promised good or receipt of the promised service seems to be an appropriate basis. However, the Discussion Paper primarily illustrates the concept of a customer's control of the promised good or receipt of the promised service through some simplistic examples and a comparison to a risks and rewards of ownership approach. We believe the concepts of control of a promised good and receipt of a promised service should initially be discussed at a higher level by defining these concepts as well as articulating the underlying principle that should be considered when evaluating whether a customer controls a good or receives a service. Furthermore, we believe there should be additional, more complex examples included in the Standard as well as factors to consider when evaluating the underlying principle. In regard to the articulation of an underlying principle, we believe this should consider the rebuttable presumption included in Section 4.56 of the Discussion Paper that an asset used in satisfying another performance obligation in the contract is not transferred to a customer until the asset is used in satisfying that performance obligation. While we agree with this concept overall, it is unclear to us how in these scenarios it could be presumptively determined that the customer does not have control of the asset.

We are particularly concerned about the accounting treatment in certain scenarios. For example, the accounting for service transactions based on the Discussion Paper is unclear in situations in which the only deliverable to a customer is the final work product such as a report, such as for certain engineering services or a financial statement audit. The Discussion Paper includes an example at Section 4.35 that states a nonrefundable payment in such a transaction may suggest that the customer is receiving an asset over the contract period. The interplay between a vendor receiving a nonrefundable payment from a customer and the customer's receipt of the promised service is unclear to us, especially in cases in which the vendor ceases to perform after receiving this payment. Presumably in this scenario, a vendor's cessation of performance would be a breach of contract. This would often cause a customer to take legal action against the vendor, the result of which could be a recovery of the initial payment. We think this would be the case particularly in situations where a customer does not have the right as a result of the nonrefundable payment to the in-progress work resulting from the vendor's performance. It is unclear to us how or if this factor (lack of a right to the in-progress work) would come into play when assessing whether a service has been received.

Furthermore, we believe the concept of control of a promised good should be discussed further in regard to "right-to-use" intangible assets such as software or other intellectual property that is generally licensed to a customer either perpetually or for a specific term. For example, it is currently unclear to us in a term license of software, whether control of the software is transferred to the customer at inception of the contract, over the license term or whether control is actually ever truly transferred given the terms of such a contract. Furthermore, this notion is also not clear to us in scenarios in which rights to use are granted in perpetuity. We also believe the ultimate accounting for the delivery of a right-to-use intangible asset should be consistent with the accounting model for the delivery of a right-to-use tangible asset. As such, we believe it would be appropriate for the accounting by lessors of tangible assets to be scoped into the revenue recognition project.

Question 9. The Boards propose that an entity should recognize revenue only when a performance obligation is satisfied. Are there contracts for which that proposal would not provide decision-useful information? If so, please provide examples.

We agree an entity should recognize revenue only when a performance obligation is satisfied. However, as noted in our response to Question 8, the key to this conclusion is determining when a performance obligation is ultimately satisfied, which is not clear to us in many cases based on the Discussion Paper.

In regard to contracts in which this would not result in decision-useful information, we believe this will be the case for long-term arrangements for which entities currently recognize revenue throughout the arrangement period but as a result of the Discussion Paper may have to defer recognition of all revenue until final delivery. While we are unsure as to how pervasive this situation may be given the issues we noted in our previous responses regarding transfer of an asset, we do suspect it will occur often and think that financial statement users will not find the result decision-useful. While we agree it is consistent with a contractual assets and liabilities approach to revenue recognition, we recommend that the Boards attempt to find a resolution that would allow for revenue on these types of long-term arrangements to be recognized over the performance period as opposed to deferring until final delivery. If this is not feasible, we would suggest that at a minimum additional disclosure be required in these types of scenarios such that a financial statement user could determine the significance of these types of arrangements.

Question 10: In the Boards' proposed model, performance obligations are measured initially at the original transaction price. Subsequently, the measurement of a performance obligation is updated only if it is deemed onerous.

(a) Do you agree that performance obligations should be measured initially at the transaction price? Why or why not?

We agree that transaction price is the appropriate initial measurement of a performance obligation. We do not believe that any revenue should be recognized on the signing of a contract, which could occur in a model that measures performance obligations initially at other than the transaction price. We believe that recognizing revenue when a contract is signed would conflict with the model in the Discussion Paper whereby revenue is recognized when a performance obligation is satisfied, since no performance obligation is satisfied solely by signing a contract. In addition, we believe any other measurements would be extremely complex and not as decision-useful for financial statement users.

(b) Do you agree that a performance obligation should be deemed onerous and remeasured to the entity's expected cost of satisfying the performance obligation if that cost exceeds the carrying amount of the performance obligation? Why or why not?

We do not believe a performance obligation should be deemed onerous and remeasured to the entity's expected cost of satisfying the performance obligation if that cost exceeds the carrying amount of the performance obligation. As the Boards determined that performance obligations in general should not be remeasured, we believe there should be no exceptions to that principle. Furthermore, we believe it would not be reflective of the economics of a transaction to accrue an expected future loss and then recognize all future revenue at a zero margin. We think that any accrual of costs should be based on existing guidance such as FAS 5, *Accounting for Contingencies*, under U.S. GAAP. However, we do believe that information regarding onerous contracts may be helpful to a financial statement user and believe disclosure requirements in these situations would be appropriate.

If the onerous test is included in the final standard, we believe the onerous measurement should be performed at a higher unit of account than the performance obligation as discussed in the Discussion Paper. If the performance obligation was the unit of account for the onerous measurement test, an entity may have a contract that is profitable overall and still be required to recognize a loss because one of the performance obligations was deemed onerous. For example, assume an entity sells Product A and Service B for a total of \$75 and each of these items is considered a separate performance obligation. Further assume the following allocation of the fee and expected cost:

	Product A	Service B	<u>Total</u>
Allocated Fee	50	25	75
Expected Cost	5	20	25
Expected Margin	45	5	50

Product A is expected to be delivered 6 months after signing the contract, and Service B will be delivered over 1 year commencing at contract signing. After performing the first 3 months of Service B, the entity determines that its expected costs for the entire performance obligation have increased to \$30. Based on the view in the Discussion Paper, this would result in recognizing a \$5 loss on Service B even though the overall contract still has a positive \$40 margin (\$45 from Product A less \$5 loss on Service B), which seems inappropriate.

We propose the onerous measurement test be performed based on whether the expected cost of the aggregate of the undelivered performance obligations is greater than the aggregate revenue allocated to the undelivered performance obligations. In other words, the unit of account in the onerous measurement test should be at the remaining performance obligations level. In the example above, that would result in a determination that the remaining performance obligations in the contract were not onerous and we believe would better reflect the economic substance of the arrangement.

(c) Do you think that there are some performance obligations for which the proposed measurement approach would not provide decision-useful information at each financial statement date? Why or why not? If so, what characteristic of the obligations makes that approach unsuitable? Please provide examples.

We believe the proposed measurement approach is appropriate except for those items that we believe should not be within the scope of this project as noted in our response to Question 2.

(d) Do you think that some performance obligations in a revenue recognition standard should be subject to another measurement approach? Why or why not? If so, please provide examples and describe the measurement approach you would use.

We believe subjecting some performance obligations to a different measurement approach would make the guidance confusing and overly complex. If the Boards believe that certain performance obligations should be measured differently, we think they would be better served by scoping those performance obligations out of the revenue recognition standard and providing guidance in a separate project, such as for insurance and derivative contracts.

Question 11: The Boards propose that an entity should allocate the transaction price at contract inception to the performance obligations. Therefore, any amounts that an entity charges customers to recover any costs of obtaining the contract (for example, selling costs) are included in the initial measurement of the performance obligations. The Boards propose that an entity should recognize those costs as expenses unless they qualify for recognition as an asset in accordance with other standards.

(a) Do you agree that any amounts an entity charges a customer to recover the costs of obtaining the contract should be included in the initial measurement of an entity's performance obligations? Why or why not?

We agree that any amounts an entity charges a customer to recover the costs of obtaining the contract should be included in the initial measurement of an entity's performance obligations because otherwise there would be revenue recognized on day one, which we disagree with as noted in our response to Question 10 (a).

(b) In what cases would recognizing contract origination costs as expenses as they are incurred not provide decision-useful information about an entity's financial position and financial performance? Please provide examples and explain why.

We believe when an entity receives an upfront nonrefundable fee that exceeds the contract origination costs, recognizing the costs as incurred and deferring the fee received (if control of an asset is not transferred) may not provide decision-useful information to an investor. Furthermore, we have additional concerns about the decision usefulness of recognizing costs as incurred for service arrangements in which revenue is required to be deferred until final delivery as that is when the customer receives the promised service. In these scenarios, we believe it would be appropriate to defer the associated costs of these services (in many cases) until the associated revenue is recognized, but are unaware of any specific existing standard that would allow this. As a result, the reference in the Discussion Paper to recognizing costs as expenses when incurred unless they were eligible for capitalization in accordance with other standards would result in recognizing these costs as services are performed but deferring revenue recognition until the end of the contract. This would be a different answer from a scenario in which a vendor was contractually required to manufacture and provide a good to a customer, in which case the manufacturing costs would be capitalized in inventory and then recognized along with the revenue when the good is delivered. Given the similarity of the economics of these two arrangements, we would expect the accounting treatment to be the same.

As a result, we believe the Standard should not address the associated cost recognition, and current practice on cost recognition/deferral should continue until addressed by the Boards as part of a separate comprehensive project on cost recognition. In practice, this often results in analogies to the cost deferral guidance in FASB Statement No. 91, *Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases*, and FASB Technical Bulletin 90-1, *Accounting for Separately Priced Extended Warranty and Product Maintenance Contracts*, as noted by the SEC in SAB Topic 13, *Revenue Recognition*. We believe that since many deferrals of cost relating to revenue recognition are based on these analogies, any reference to capitalization in accordance with other standards in a revenue recognition standard would prohibit these analogies going forward. We suggest the Boards also consider whether cost recognition should be addressed in a separate project.

Question 12: Do you agree that the transaction price should be allocated to the performance obligations on the basis of the entity's standalone selling prices of the goods or services underlying those performance obligations? Why or why not? If not, on what basis would you allocate the transaction price?

We agree the transaction price should be allocated to the performance obligations on the basis of the entity's standalone selling prices of the goods or services underlying those performance obligations.

Question 13: Do you agree that if an entity does not sell a good or service separately, it should estimate the standalone selling price of that good or service for purposes of allocating the transaction price? Why or why not? When, if ever, should the use of estimates be constrained?

We agree an entity should estimate the standalone selling price of a good or service in order to allocate the transaction price if an entity does not sell a good or service separately. We don't believe these estimates should be constrained and think entities will be able to estimate standalone prices in all cases, as this is something they must consider when determining the price to charge a customer in a contract. However, we think that the revenue recognition standard should be explicit and describe in a hierarchy that an entity should only estimate a standalone selling price in scenarios in which they do not have a) the equivalent of vendor specific objective evidence (VSOE) of fair value/standalone selling price as discussed in current U.S. GAAP, or b) third party evidence of fair value/standalone selling price as discussed in current U.S. GAAP. If either of these two pieces of evidence exist, we believe they should be used (in that order) in lieu of an estimate of a standalone selling price.

Other Comment

"Other than Ordinary Activities"

The Discussion Paper strictly discusses contracts with customers and defines customers in Section 2.21 as follows:

"A customer is a party that has contracted with an entity to obtain an asset (such as a good or service) that represents an output of the entity's ordinary activities."

The concern we have with this definition is that from a measurement and recognition standpoint, we believe an entity that delivers output resulting from its "other than ordinary activities" should also apply this guidance. For example, an entity's ordinary activities may consist of licensing software to

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customers. On rare occasions, this entity may also sell its underlying intellectual property (as opposed to licensing) to others as well, which would be considered for them an "other than ordinary activity" that would be appropriately classified as other gain or loss as opposed to revenue. With that said, even though this activity is "other than ordinary" for this entity, we see no reason why the measurement and recognition of this transaction should be different from that of a revenue transaction. As such, while we would not recommend that the Boards broaden the definition of a customer, we do recommend that the Boards consider whether the measurement and recognition guidance in the Standard should be analogized to when accounting for "other than ordinary activities".

We would be pleased to respond to any questions the Boards or their staff may have about any of the preceding comments. Please direct any questions to either Jay D. Hanson (952-921-7785) or Brian H. Marshall (203-312-9329).

Sincerely,

McGladrey & Pullen, LLP

McGladry of Pullen, LCP