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Sir David Tweedie, Chairman International Accounting Standards Board 30 Cannon Street London EC4M6xh United Kingdom

File Reference No. 1820-100, Exposure Draft: Revenue from Contracts with Customers

Dear Madam and Sir:

Intel is pleased to respond to your request for comment on the Exposure Draft, *Revenue from Contracts with Customers*. In our comment letter on the Board's Discussion Paper, *Preliminary Views on Revenue Recognition in Contracts with Customers*, we supported the goal of creating a comprehensive contract-based revenue recognition standard that promotes the objectives of convergence, simplification, and comparability of revenue across companies and geographical boundaries. That goal remains important to

While we generally support the contract-based asset and liability approach to revenue recognition, we struggle with the operationality of the proposed requirements. The Exposure Draft identifies five steps an entity would follow for reporting decision useful information about an entity's revenue. However, in developing a revenue recognition framework that reduces complexity while improving comparability across and within industries, the Board has created bright line requirements on how each of the five steps should be performed. These rules result in revenue that may not be reflective of the economic substance of the transaction. We believe that implementing several refinements could improve the model's transparency and operationality without sacrificing the Board's goals. In particular, we recommend a more principles-based approach to transaction price measurement, a refinement to the notion of a distinct profit margin and retaining existing warranty accounting in the following paragraphs. Our responses to the questions presented in the Exposure Draft are included in the Appendix to this letter.

Measuring the Transaction Price at the Probability-Weighted Amount of Consideration That an Entity Expects to Receive From a Customer Would Not Result in the Recognition of Revenue that an Entity Has Received or Expects to Receive

We believe that the Board's requirement that an entity use a probability-weighted estimate of consideration under all circumstances may not result in the most useful measure of the performance obligations in a contract. Where there are multiple possible outcomes, this approach may provide the best estimate of the transaction price. However, in situations where there are a limited number of possible outcomes, probability-weighted estimates could result in a transaction price that is not indicative of actual amounts expected to be received. Revenues would be inappropriately overstated or understated if management expects to receive a specified amount or where probabilities are more heavily weighted towards a particular outcome. The proposed Update does not provide any clarity on how the weighted-probability approach would be appropriate in these circumstances.

We recommend the use of management's best estimate as the overarching principle for measuring the transaction price. We acknowledge that the use of management's best estimate would require judgment; however, a model that only allows the weighted probability approach simply shifts this subjectivity to the assessment of possible outcomes and probability weightings. It may be that in some cases, the best estimate is based upon a probability-weighted estimate. However, our recommendation would provide a more principles-based method that could be applied to all industries and revenue arrangements. The proposal in the Exposure Draft that all entities apply the weighted-probability approach provides brightline guidance that may not necessarily result in the most useful measure of the performance obligations in the contract. The use of management's best estimate will help the Board achieve the model's core principle to reflect the consideration received, or expected to be received, in exchange for goods or services.

The Requirement That a Separate Performance Obligation Must Have a Distinct Profit Margin With Separately Identifiable Resources May Not Result in the Identification of Performance Obligations That Represent the Economic Substance of the Arrangement.

The Exposure Draft defines a performance obligation as an "enforceable promise (whether explicit or implicit) in a contract with a customer to transfer a good or service to the customer." An entity is required to evaluate its contracts and customary business practice to identify the performance obligations in a contract that should be accounted for separately. We agree with this principle. We also agree that the best evidence of whether a performance obligation should be recognized separately is if the entity, or another entity, sells an identical or similar good separately. That said, we are concerned with the criteria identified by the Boards that must be met to recognize a separate performance obligation that is not sold separately by an entity, or another entity. Paragraph 23(b) indicates that a good or service would be considered distinct if the entity could sell the good or service separately because the good or service has both a distinct function and has a distinct profit margin. The concept of a distinct function is comparable to existing guidance in ASC 605-25. However, the concept of a distinct profit margin does not exist in ASC 605-25; rather, it comes from ASC 605-35, which provides guidance on the identification of separate contractual elements specific to the construction industry. We worry that the requirement that a performance obligation have a distinct profit margin that is subject to separately identifiable resources, as described in paragraph 23(b)(ii) and BC55, will result in an inappropriate restriction in identifying separate performance obligations when applied to industries where cost is not the primary focus of product pricing.

We develop and license software products that are bundled with postcontract customer support ("PCS") services. It is common in the software industry that the same resources that are used to create software products are also often used to provide PCS, including the provision of updates and upgrades. We do not provide PCS services separately from the licensing of our software, and believe that the Boards' view that an entity must be able to separately identify the resources needed to provide a good or service could

preclude us from recognizing separate performance obligations when we sell software with PCS. This would not reflect the economic substance of our arrangements.

If the requirement for a distinct profit margin is retained in the final standard, we recommend that a good or service be considered to have a distinct profit margin if the entity has a reasonable basis in estimating the margin it would expect were the entity to sell the good or service on a standalone basis. A reasonable basis for such an estimate may often focus on the distinct costs an entity expects to incur in providing the good or service. However, in circumstances when costs are not the primary focus of product pricing, such as the sale of our software, a reasonable basis for such an estimate could be supported by the entity's own experience with similar products in similar markets or by the observable experience of other entities with similar products in similar markets. Such an approach would provide the entity with a reasonable level of flexibility in identifying distinct margins yet still require the entity to provide a reasonable basis for its assumptions.

Distinguishing Warranties Between Those That Exist Upon Transfer of Control and Those That Occur After the Transfer of Control May Not Reflect the Underlying Economic Substance of the Revenue Transaction

We typically sell our products with standard terms and conditions covering warranties. These standard warranties are not separately priced or sold. Accordingly, we do not view the provision of the warranties as a revenue generating activity; rather, that these warranties are an inherent cost of providing our products to our customers. Our process for ensuring product quality includes the screening, testing and removal of defective products. Increases or decreases in quality levels impact the cost of our products, not the revenue generating opportunities. The performance obligation in our arrangements is the transfer of a product to a customer that is not defective; the warranty on that product is not a separate performance obligation.

The proposed standard would require entities to distinguish between latent defects that exist when the product is transferred to the customer and defects that arise after the product is transferred to the customer. We do not agree with either the Boards' differentiation or the proposed accounting treatment as a failed sale or the recognition of a separate performance obligation, respectively. We do not make a distinction between these types of warranties. Rather, we identify warranties as those that are incurred in connection with the sale of goods and services and those that are sold separately. The Boards' requirements would not result in accounting treatment that is reflective of the underlying substance of the arrangement.

We recommend that the Board retain the existing guidance in ASC 450, ASC 460 and ASC 605 on how to account for warranty obligations that are incurred in connection with the sale of goods and services and those that are sold separately. We do not believe that there are any weaknesses or inconsistencies with either the conceptual basis or application of current GAAP. We believe that this guidance, rather that the defined proposals included in the Exposure Draft, is more representative of the economic substance of the revenue transaction and promotes the project's core principle that revenue should be recognized to depict the transfer of goods or services to customers.

Thank you for your consideration of the points outlined in this letter. Please note that we have also provided responses in the following pages to the specific questions asked in the exposure draft. If you have any further questions or would like to discuss our responses further, please contact me at (971) 215-7931, or Liesl Nebel, Accounting Policy Controller, at (971) 215-1214.

Sincerely,

James G. Campbell Vice President, Finance Corporate Controller Intel Corporation

Appendix

Question 1

Paragraphs 12–19 propose a principle (price interdependence) to help an entity determine whether to:

- (a) combine two or more contracts and account for them as a single contract;
- (b) segment a single contract and account for it as two or more contracts; and
- (c) account for a contract modification as a separate contract or as part of the original contract.

Do you agree with that principle? If not, what principle would you recommend, and why, for determining whether (a) to combine or segment contracts and (b) to account for a contract modification as a separate contract?

Generally, we support the concept of using price interdependence as a key determinate in combining or segmenting a contract and accounting for contract modifications. We believe that the determining factor that should carry more weight than others is the negotiated business intent at the time the contract is consummated.

Question 2

The Boards propose that an entity should identify the performance obligations to be accounted for separately on the basis of whether the promised good or service is distinct. Paragraph 23 proposes a principle for determining when a good or service is distinct. Do you agree with that principle? If not, what principle would you specify for identifying separate performance obligations and why?

As stated in our cover letter, we agree with the principle that an entity should evaluate its contracts and customary business practice to identify the performance obligations in a contract that should be accounted for separately. However, we worry that the explicit requirement that a performance obligation have a distinct profit margin, as described in paragraph 23(b)(ii) and BC55, will result in an inappropriate restriction in identifying separate performance obligations when applied to industries where cost is not the primary focus of product pricing. Because the same resources that are used to create our software products are also often used to provide PCS, we believe that the Boards' requirements could make it very challenging for us, or even preclude us, from recognizing separate performance obligations when we sell software with PCS. This would not reflect the economic substance of our arrangements. We recommend that a good or service be considered to have a distinct profit margin if the entity has a reasonable basis in estimating the margin it would expect were the entity to sell the good or service on a standalone basis. Such an approach would provide the entity with a reasonable level of flexibility in identifying distinct margins yet still require the entity to provide a reasonable basis for its assumptions.

Question 3

Do you think that the proposed guidance in paragraphs 25–31 and related implementation guidance are sufficient for determining when control of a promised good or service has been transferred to a customer? If not, why? What additional guidance would you propose and why?

We support the proposed guidance in paragraphs 25-31 for determining when control of a promised good or service has been transferred to a customer.

Question 4

The Boards propose that if the amount of consideration is variable, an entity should recognize revenue from satisfying a performance obligation only if the transaction price can be reasonably estimated. Paragraph 38 proposes criteria that an entity should meet to be able to reasonably estimate the transaction price.

Do you agree that an entity should recognize revenue on the basis of an estimated transaction price? If so, do you agree with the proposed criteria in paragraph 38? If not, what approach do you suggest for recognizing revenue when the transaction price is variable and why?

We agree with the Boards that if the amount of consideration is variable, an entity should include it in the measurement of the transaction price that is allocated to performance obligations if it can be reasonably estimated. However, as stated in our cover letter, we do not believe that the measurement of the amount of variable consideration should be limited to a probability-weighted approach. Instead, we support the use of management's best estimate.

If an entity is not able to support an estimate for variable consideration included within a contract, no revenue would be included in the amount of the transaction price to be allocated to performance obligations. Because an entity is not able to estimate revenue for performance obligations that are subject to variable consideration, we would expect that those performance obligations would be bifurcated from the other performance obligations in the arrangement so that no revenue is allocated to them until management can reasonably estimate the variable consideration. It would be helpful for the Boards to include implementation guidance on this scenario to confirm our understanding.

Question 5

Paragraph 43 proposes that the transaction price should reflect the customer's credit risk if its effects on the transaction price can be reasonably estimated. Do you agree that the customer's credit risk should affect *how much* revenue an entity recognizes when it satisfies a performance obligation rather than *whether* the entity recognizes revenue? If not, why?

As articulated in our cover letter, we do not support the weighted probability approach to determining the transaction price. We have proposed that the Boards allow an entity to measure the transaction price based on management's best estimate. We do not believe that a customer's credit risk should be reflected in this estimate. While we do agree with the Boards that collectability should not impact *when* an entity recognizes revenue and that revenue should be recognized when the customer obtains control of the good or service as currently proposed, we believe a customer's credit risk should be accounted for through bad debt expense and a corresponding allowance for bad debts.

Question 6

Paragraphs 44 and 45 propose that an entity should adjust the amount of promised consideration to reflect the time value of money if the contract includes a material financing component (whether explicit or implicit). Do you agree? If not, why?

The requirement that an entity adjust the amount of promised consideration to reflect the time value of money is not expected to have a significant impact to us. However, we have included a comment here because it is consistent with some of our comments in other areas. On a conceptual level, the proposed requirements regarding the time value of money makes sense. However, the guidance does not consider management's intent when entering into these arrangements and could result in an accounting treatment that is not reflective of the underlying economics of a revenue transaction. For example, when an entity receives a large pre-payment, the effect of accounting for the time value of money in that transaction likely will result in the amount of revenue ultimately recognized exceeding the consideration received.

Paragraphs 44 and 45 of the Exposure Draft also present significant application difficulties as determining a customer-specific discount rate is not practical and cost-prohibitive. The proposed guidance requires that the discount rate used be a rate similar to what the entity would have used in a separate financing transaction with the customer. As most entities are not likely in the business of entering into freestanding financing arrangements with their customers, they may find it difficult to identify an appropriate rate to use.

We recommend that the Boards develop a more principles based requirement that would allow companies to determine if their contracts include a material financing component. In the case that there is a material financing component, an entity would account for it accordingly.

Question 7

Paragraph 50 proposes that an entity should allocate the transaction price to all separate performance obligations in a contract in proportion to the standalone selling price (estimated if necessary) of the good or service underlying each of those performance obligations. Do you agree? If not, when and why would that approach not be appropriate, and how should the transaction price be allocated in such cases?

We generally support the allocation of the transaction price to all separate performance obligations in proportion to the standalone selling price of the good or service underlying each of those performance obligations at contract inception (that is, on a relative standalone selling price basis). We also support the Boards' decision against specifying a hierarchy of acceptable estimation methods. We agree that as long as the method is consistent with the basis of a standalone selling price and maximizes the use of observable inputs, that no method should be precluded or prescribed to determine an estimated standalone selling price.

However, we also recognize that this requirement will be difficult for us to operationalize; specifically with respect to our software arrangements. We have not yet adopted ASU No. 2009-13 Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements. We are currently following the required software revenue recognition guidance for our software arrangements. In our cover letter, we noted that we develop and license software products, primarily through our Wind River Software Group, that are bundled with postcontract customer support ("PCS") services. Under the current guidance, we are able to use the residual method to determine the selling price of the software because we are able to determine the VSOE of the PCS. We do not have VSOE for our software. This may present a real operational hurdle for us as we expect that we will be required to look at individual transactions to determine the pricing of our separate performance obligations. We note that in BC125, the Boards confirmed that the residual method should not be used to allocate the transaction price to separate performance obligations but that "a residual or reverse residual technique may be an appropriate method for estimating a standalone selling price if there is a directly observable price for one performance obligation but not the other." It is unclear if the Boards are trying to articulate their approval of the use of the residual method, which if allowed, would reduce the operational hurdles many companies with software deliverables have faced in implementing ASU No. 2009-13 and will face in implementing the proposed revenue recognition model.

Question 8

Paragraph 57 proposes that if costs incurred in fulfilling a contract do not give rise to an asset eligible for recognition in accordance with other standards (for example, Topic 330 or IAS 2; Topic 360 or IAS 16; and Topic 985 on software or IAS 38, *Intangible Assets*), an entity should recognize an asset only if those costs meet specified criteria.

Do you think that the proposed guidance on accounting for the costs of fulfilling a contract is operational and sufficient? If not, why?

We believe the guidance is operational and sufficient for our operations.

Ouestion 9

Paragraph 58 proposes the costs that relate directly to a contract for the purposes of (a) recognizing an asset for resources that the entity would use to satisfy performance obligations in a contract and (b) any additional liability recognized for an onerous performance obligation.

Do you agree with the costs specified? If not, what costs would you include or exclude and why?

We do not have any specific concerns with the costs specified. This is not expected to significantly impact our business. However, we are concerned with the conceptual logic that the proposed cost guidance could result in an entity recording a liability for an onerous performance obligation within an overall profitable contract. We do not believe that recording loss provisions for profitable contracts provides decision useful information. We understand the Boards feel it is preferable to apply the onerous test at a performance obligation level to ensure that adverse changes in circumstances are reported on a timely basis. However, if losses are expected to be realized on early performance obligations followed by profits on later performance obligations, we do not believe up front recognition of the anticipated losses would depict an adverse change in circumstances. Rather, decision useful information would be to understand when a contract, due to cost overruns or unanticipated production issues, has fallen into an overall loss position. This would truly represent an adverse change in circumstances for which a liability should be recorded and the change in circumstances disclosed in the financial statements.

Question 10

The objective of the Boards' proposed disclosure requirements is to help users of financial statements understand the amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Do you think the proposed disclosure requirements will meet that objective? If not, why?

The disclosures proposed in the Exposure Draft are much more extensive than those provided in current practice. We believe that many of the proposed disclosures would facilitate a user's understanding of the amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. However, we believe that the Board has included certain disclosures that will not provide useful information to the users of financial statements. We recommend that the Board remove the requirement to disclose the reconciliation of contract balances, reconciliation of onerous performance obligations and the total amount of performance obligations and the expected timing of their satisfaction.

We do not believe that the reconciliations of contract balances and onerous performance obligations are necessary to meet the Board's objective of understanding the amount, timing and uncertainty of revenue and cash flows. In addition, entities will most likely have to either institute a complete system solution or at a minimum a partial system solution with extensive manual process enhancements in order to capture the required information. Currently the proposed required information is not used by management for

making business decisions. We question the decision-usefulness of such information to the financial statement users. The benefit of either alternative does not outweigh the cost of providing the information to users given that these reconciliation requirements do not assist the Board in meeting their objective. If the Board were to decide to retain the proposed requirement, we recommend the Board to remove the requirement from the Revenue Recognition project and address it as part of the Financial Statement Presentation project given the overlap in this area. It would allow a holistic approach towards disclosure and longer leader time for entities to implement system changes.

We also do not agree with the requirement to disclose the total amount of performance obligations and the expected timing of their satisfaction. We believe that the intent of this requirement is to give users information to understand an entity's future revenue streams. However, this disclosure would be limited to a snapshot of obligations at the end of the reporting period based on the Board's definition of a performance obligation. Accordingly, it would not include potential performance obligations that would result from, for example, contracts that are cancelable or where a contract has been awarded but not signed. In addition, each forward looking year would be less predictive of expected revenue as the transactions from the preceding year would not yet exist/be reflective in the disclosure. As such, it would not enable an entity to reflect the economics specific to their company or industry to provide one indicator of future revenue. Although it would be useful to many companies that the disclosure would only be applicable to contracts with an original expected duration of more than one year, we still believe that the substance of the disclosure will not provide predictive value to the users of financial statements in understanding the amount, timing and uncertainty of revenue and cash flows.

Question 11

The Boards propose that an entity should disclose the amount of its remaining performance obligations and the expected timing of their satisfaction for contracts with an original duration expected to exceed one year.

Do you agree with that proposed disclosure requirement? If not, what, if any, information do you think an entity should disclose about its remaining performance obligations?

See the answer to both questions 10 and 11 in the response above.

Question 12

Do you agree that an entity should disaggregate revenue into the categories that best depict how the amount, timing, and uncertainty of revenue and cash flows are affected by economic factors? If not, why?

We agree that an entity should disaggregate revenue into the categories that best depict how the amount, timing, and uncertainty of revenue and cash flows are affected by economic factors.

Ouestion 13

Do you agree that an entity should apply the proposed guidance retrospectively (that is, as if the entity had always applied the proposed guidance to all contracts in existence during any reporting periods presented)? If not, why?

Is there an alternative transition method that would preserve trend information about revenue but at a lower cost? If so, please explain the alternative and why you think it is better.

We agree that retrospective application would provide users of financial statements with useful trend information. We also agree with the Board's acknowledgement that retrospective application could be burdensome. For many financial statement preparers, particularly those with large and complex multiple-element arrangements and those with construction or other long-term contracts, retrospective application would require such preparers to maintain dual reporting systems under both current GAAP and the proposed model for the retrospective period. This will require a significant investment in systems by entities, completion of which may not be possible in the period of time from when the final standard is issued and the first comparative period begins (for public companies, the requirement would impact the prior four years data from the effective date in order to comply with the SEC disclosure requirements for Selected Financial Data in the Form 10-K). We do not think these concerns will be addressed by the exceptions in ASC 250 as there are very limited situations when it would be acceptable to state that retrospective application is impractical to perform.

We recommend that the Board implement a transition alternative similar to that allowed for in Update No. 2009-13 Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements and Update No. 2009-14 Software (Topic 985): Certain Revenue Arrangements That Include Software Elements. This transition alternative would require prospective application upon the date of adoption with the requirement to disclose comparative information for either the period of change or the period immediately preceding the change. Retrospective application would be permitted. We believe that providing at least one period of comparative information about the change in accounting for revenue recognition provides sufficient information to investors about how the change affects a particular entity. In addition, many entities may go through an analysis of previous period revenue while preparing to implement the standard and, therefore, may be able to provide that information more easily than if they had to maintain two sets of records.

Question 14

The proposed implementation guidance is intended to assist an entity in applying the principles in the proposed guidance. Do you think that the implementation guidance is sufficient to make the proposals operational? If not, what additional guidance do you suggest?

The implementation guidance only covers a small sample of possible, simplified transactions that would be sufficient to make the proposed guidance operational. We believe that based on the current guidance provided, there is a risk that preparers will develop varying interpretations of the guidance or utilize accounting firms to help define the appropriate accounting when specific circumstances occur that are not addressed in the implementation guidance. We would expect that the Boards recognize the possibility

that this could result in financial statements that are not comparable, based on how a preparer has interpreted the guidance.

Question 15

The Boards propose that an entity should distinguish between the following types of product warranties:

- (a) a warranty that provides a customer with coverage for latent defects in the product. This does not give rise to a performance obligation but requires an evaluation of whether the entity has satisfied its performance obligation to transfer the product specified in the contract.
- (b) a warranty that provides a customer with coverage for faults that arise after the product is transferred to the customer. This gives rise to a performance obligation in addition to the performance obligation to transfer the product specified in the contract.

Do you agree with the proposed distinction between the types of product warranties? Do you agree with the proposed accounting for each type of product warranty? If not, how do you think an entity should account for product warranties and why?

As discussed in our cover letter, we do not agree with the Boards' proposed distinction between warranties that provide coverage for defects that exist when the product is transferred to the customer but are not yet apparent and for faults that arise after the product is transferred to the customer. The Board's differentiation between these two types of warranties and the resulting accounting requirements provides bright line guidance that will result in revenue accounting that is not indicative of management's intent and that will not reflect the underlying economic substance of the transaction.

Management's intent for the provision of warranties and the underlying substance of a transaction will vary by entity. Some entities issue warranties with the objective of providing a separate service to their customers that is not included in the sale of a product. In this case, we believe it would make sense to identify a separate performance obligation and recognize the related revenue over the period of service, consistent with the current requirements of ASC 605-20. However, many entities, like us, incur standard warranties in connection with the sale of a product. We do not view the provision of standard warranty coverage as performance obligations. Standard warranties provide customers with a contractual right which guarantees that the delivered product will function according to specifications for a certain period of time. The contractual promise embodied in the arrangement, in our view, is a functioning product. In that regard, standard warranties are inextricably linked to delivered product and do not provide customers with additional assets beyond the delivered assets. We believe that the proposed interpretation is overly theoretical and does not accurately reflect the economic realities associated with entities' obligations to their customers. Rather, we believe that standard warranties are contingent costs associated with delivering product as specified. Standard warranties, therefore, should not be viewed as performance obligations but as costs associated with delivering product. Therefore, we believe that warranties should continue to be accounted for as contingencies according to ASC 450.

We do not think that there are any weaknesses or inconsistencies with either the conceptual basis or application of the current accounting guidance for warranties. We believe that the Board should provide a more principles based approach to the accounting for warranties as opposed to the rules included in the proposed Exposure Draft. This approach will allow entities to identify a separate performance obligation

when appropriate based on management's intention and the economic substance of the transaction, while also promoting the project's core principle that revenue should recognized to depict the transfer of goods or services to customers.

Question 16

The Boards propose the following if a license is not considered to be a sale of intellectual property:

- (a) if an entity grants a customer an exclusive license to use its intellectual property, it has a performance obligation to permit the use of its intellectual property and it satisfies that obligation over the term of the license; and
- (b) if an entity grants a customer a nonexclusive license to use its intellectual property, it has a performance obligation to transfer the license and it satisfies that obligation when the customer is able to use and benefit from the license.

Do you agree that the pattern of revenue recognition should depend on whether the license is exclusive? Do you agree with the patterns of revenue recognition proposed by the Boards? Why or why not?

We disagree that the pattern of revenue recognition should be based on whether the license is exclusive or nonexclusive. Exclusivity affects the perceived value of a product or service but is not relevant to when the revenue generating event has occurred. We believe that the recognition of revenue should follow the recognition principle in the model; that is, revenue should be recognized when the customer obtains control of the license. The current requirement that the accounting follow whether or not a license is exclusive is inconsistent with this principle.

Question 17

The Boards propose that in accounting for the gain or loss on the sale of some nonfinancial assets (for example, intangible assets and property, plant, and equipment), an entity should apply the recognition and measurement principles of the proposed revenue model. Do you agree? If not, why?

We agree with the proposal to extend the Exposure Draft's revenue recognition principles to the sale of operational assets not owned for sale in the ordinary course of business. While we can think of no compelling reason for any other conclusion, we do recommend that the Board clearly define the boundary for where revenue recognition guidance ends and other guidance begins. For example, there are standards governing the sale of a business, discontinued operations and the disposal of a segment and we believe any guidance in the final revenue recognition standard should make it clear it does not apply to asset disposals in situations such as those.

Question 18

Should any of the proposed guidance be different for nonpublic entities (private companies and not-for-profit organizations)? If so, which requirement(s) and why?

Intel is a publically traded company. While we can't speak for nonpublic entities we do not think that the proposed guidance should be any different for public or nonpublic entities.

Other Comments

It is our expectation that collaboration arrangements that are currently accounted for under the guidance in ASC 808-10 would not be included in the scope of the proposed revenue recognition standard. These arrangements are entered into with business partners to share development costs. We do not view the business partners as customers or the shared development as a revenue generating activity. It is unclear to us what will happen with the guidance currently in ASC 808-10. We encourage the Board to retain this existing guidance.