

BC Consolidated Comments and Recommendations  
FASB Revenue Recognition (Topic 605)

Question	Para No.	SUBJECT/TITLE (Excerpt from FASB-Revenue Recognition-Topic 605)	Question	RECOMMENDATIONS/COMMENTS	Name of Commenter	Office	Email Address/Phone
		General Comments		This document didn't say it relates to private organizations. It stated it covers any entity that enters into contracts. Suggest it exclude Federal government entities.	Jane Pritchett	BCC	<a href="mailto:jane.pritchett@gsa.gov">jane.pritchett@gsa.gov</a>
				Paragraph 30 states that if the customer has an unconditional obligation to pay, then they have "control" of the asset. General Services Administration (GSA) has a number of non-cancellable leases. Are these considered to be an unconditional obligation to pay? We would not want to treat these as "owned" assets.	Jane Pritchett	BCC	<a href="mailto:jane.pritchett@gsa.gov">jane.pritchett@gsa.gov</a>
				Is Paragraph 65 saying that we need a liability on our books each month for our leases if we are paying at the end of the month, i.e. getting the asset prior to payment?	Jane Pritchett	BCC	<a href="mailto:jane.pritchett@gsa.gov">jane.pritchett@gsa.gov</a>

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		Recognition of revenue (paragraphs 8–33)					
Q1	12–19	<p>Propose a principle (price interdependence) to help an entity determine whether to:</p> <p>(a) combine two or more contracts and account for them as a single contract;</p> <p>(b) segment a single contract and account for it as two or more contracts; and</p> <p>(c) account for a contract modification as a separate contract or as part of the original contract.</p>	<p>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?</p>	<p>Disagree, contracts entered into separately should be accounted for separately. The Federal Government often has master contracts that are applicable government-wide that lead to related task orders/contracts. It would be next to impossible to account for all the activity as one combined contract.</p>	Phyllis Lam	BCA	<a href="mailto:phyllis.lam@gsa.gov">phyllis.lam@gsa.gov</a> <a href="tel:202-501-4186">202-501-4186</a>
				<p>I would agree with the principle as long as it is a "guide" and not a "rule". It will be very problematic for any GAAP organization to create contracting rules like this and even more difficult for companies to follow and for auditors to review.</p>	Jane Pritchett	BCC	<a href="mailto:jane.pritchett@gsa.gov">jane.pritchett@gsa.gov</a>
				<p>The determination as to whether to combine two or more contracts into one or segment a contract should depend on the scope of the Statement of Work (SOW). If the scope is within the SOW, then combine two or more contracts into one. If the scope is outside the SOW, then the contracts should not be combined.</p>	Robin Short	QB0A	<a href="mailto:robin.short@gsa.gov">robin.short@gsa.gov</a>
Q2	23	<p>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.</p>	<p>Do you agree with that principle? If not, what principle would you specify for identifying separate performance obligations and why?</p>	<p>Agree</p>	Priscilla Sampson	BCA	<a href="mailto:priscilla.sampson@gsa.gov">priscilla.sampson@gsa.gov</a> <a href="tel:202-501-0094">202-501-0094</a>
				<p>I would agree with the principle as long as it is a "guide" and not a "rule". It will be very problematic for any GAAP organization to create contracting rules like this and even more difficult for companies to follow and for auditors to review.</p>	Jane Pritchett	BCC	<a href="mailto:jane.pritchett@gsa.gov">jane.pritchett@gsa.gov</a>

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Q3	25–31	Satisfaction of performance obligations (see paragraphs IG44–IG73) Continuous transfer of goods or services	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?	Agree	Priscilla Sampson	BCA	<a href="mailto:priscilla.sampson@gsa.gov">priscilla.sampson@gsa.gov</a> <a href="tel:202-501-0094">202-501-0094</a>
<b>Measurement of revenue (paragraphs 34–53)</b>							
Q4	38	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?	Agree	Priscilla Sampson	BCA	<a href="mailto:priscilla.sampson@gsa.gov">priscilla.sampson@gsa.gov</a> <a href="tel:202-501-0094">202-501-0094</a>

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Q5	43	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 <i>how much</i> revenue an entity recognizes when it satisfies a performance obligation rather than <i>whether</i> the entity recognizes revenue? If not, why?	Disagree. Customer's credit risk should not affect how much revenue an entity recognizes. Revenue is recognized when an entity satisfies its performance obligation. An entity should consider establishing the allowance for doubtful accounts and any uncollected accounts receivable should be recognized as a write-off or bad debt expense.	Priscilla Sampson	BCA	<a href="mailto:priscilla.sampson@gsa.gov">priscilla.sampson@gsa.gov</a> <a href="tel:202-501-0094">202-501-0094</a>
				Customer's credit risk should NOT affect how much revenue an entity recognizes when it satisfies a performance obligation since the ability to reasonably estimate a "net" amount of revenue for a particular consideration applicable to each individual customer is difficult to quantify. Adjusting the transaction price to reflect a customer's credit risk presents undue burdens on the selling entity. To determine the effect of credit risk on pricing and full recognition of revenue should occur with corresponding allowance for bad debt and/or write-off as is necessary after the right to consideration (Accounts Receivable) has been established.	Marisa Quinlivan	BCEA	<a href="mailto:marisa.quinlivan@gsa.gov">marisa.quinlivan@gsa.gov</a> <a href="tel:816-926-7296">816 926-7296</a>
				No. It would be very difficult for the federal government to ascertain credit risk for non-federal customer. For example, how would we determine the credit risk for DC Government or an Indian Tribe?	Jane Pritchett	BCC	<a href="mailto:jane.pritchett@gsa.gov">jane.pritchett@gsa.gov</a>
Q6	44-45	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?	Agree	Priscilla Sampson	BCA	<a href="mailto:priscilla.sampson@gsa.gov">priscilla.sampson@gsa.gov</a> <a href="tel:202-501-0094">202-501-0094</a>

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Q7	50	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?	Agree	Priscilla Sampson	BCA	<a href="mailto:priscilla.sampson@gsa.gov">priscilla.sampson@gsa.gov</a> <a href="tel:202-501-0094">202-501-0094</a>
<b>Contract costs (paragraphs 57–63)</b>							
Q8	57	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?	Agree	Priscilla Sampson	BCA	<a href="mailto:priscilla.sampson@gsa.gov">priscilla.sampson@gsa.gov</a> <a href="tel:202-501-0094">202-501-0094</a>
Q9	58	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?	Agree	Priscilla Sampson	BCA	<a href="mailto:priscilla.sampson@gsa.gov">priscilla.sampson@gsa.gov</a> <a href="tel:202-501-0094">202-501-0094</a>
				No. Paragraphs 57 - 60 cover when assets should be expensed verses capitalized. I'm not familiar with Topic 330, 360 or 985, so I'm not sure if all GSA's assets fall under them or not. However, it appears that this document is saying to expense indirect costs which do not support full costing.	Jane Pritchett	BCC	<a href="mailto:jane.pritchett@gsa.gov">jane.pritchett@gsa.gov</a>

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		Disclosure (paragraphs 69–83)					
Q10		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?	I believe that the proposed disclosure requirements about its contracts will help the users of the financial statement understand the amount, timing, and uncertainty of revenue and cash flows arising as long as the disclosure is not obscured by the inclusion of a large amount of insignificant detail.	Priscilla Sampson	BCA	<a href="mailto:priscilla.sampson@gsa.gov">priscilla.sampson@gsa.gov</a> <a href="tel:202-501-0094">202-501-0094</a>
				No. The increased disclosures could substantially increase the workload for companies. I'm not sure how this information will help users.	Jane Pritchett	BCC	<a href="mailto:jane.pritchett@gsa.gov">jane.pritchett@gsa.gov</a>
Q11		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?	Agree	Priscilla Sampson	BCA	<a href="mailto:priscilla.sampson@gsa.gov">priscilla.sampson@gsa.gov</a> <a href="tel:202-501-0094">202-501-0094</a>
Q12	74	<b>Disaggregation of revenue</b>	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?	Agree	Priscilla Sampson	BCA	<a href="mailto:priscilla.sampson@gsa.gov">priscilla.sampson@gsa.gov</a> <a href="tel:202-501-0094">202-501-0094</a>

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Effective date and transition (paragraphs 84 and 85)								
Q13	84-85		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.	Agree		Priscilla Sampson	BCA	<a href="mailto:priscilla.sampson@gsa.gov">priscilla.sampson@gsa.gov</a> <a href="tel:202-501-0094">202-501-0094</a>
Implementation guidance (paragraphs IG1–IG96)								
Q14		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?	Agree		Priscilla Sampson	BCA	<a href="mailto:priscilla.sampson@gsa.gov">priscilla.sampson@gsa.gov</a> <a href="tel:202-501-0094">202-501-0094</a>

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Q15		<p>The Boards propose that an entity should distinguish between the following types of product warranties:</p> <p>(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.</p> <p>(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.</p>	<p>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?</p>	Agree	Priscilla Sampson	BCA	<a href="mailto:priscilla.sampson@gsa.gov">priscilla.sampson@gsa.gov</a> <a href="tel:202-501-0094">202-501-0094</a>
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Q16		<p>The Boards propose the following if a license is not considered to be a sale of intellectual property:</p> <p>(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</p> <p>(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.</p>	<p>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?</p>	Agree	Priscilla Sampson	BCA	<a href="mailto:priscilla.sampson@gsa.gov">priscilla.sampson@gsa.gov</a> <a href="tel:202-501-0094">202-501-0094</a>
<b>Consequential amendments</b>							
Q17		<p>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.</p>	<p>Do you agree? If not, why?</p>	Agree	Priscilla Sampson	BCA	<a href="mailto:priscilla.sampson@gsa.gov">priscilla.sampson@gsa.gov</a> <a href="tel:202-501-0094">202-501-0094</a>

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		Nonpublic entities				
Q18			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?	The guidance should not be different for nonpublic entities. It is important to establish standardization among multiple industries.	Phyllis Lam	BCA <a href="mailto:phyllis.lam@gsa.gov">phyllis.lam@gsa.gov</a> 202-501-4186
				The proposed guidance should be consistent with standardization, comparability and it is to the best interest for the public.	Priscilla Sampson	BCA <a href="mailto:priscilla.sampson@gsa.gov">priscilla.sampson@gsa.gov</a> 202-501-0094
				Yes, government and not-for-profit entities are different and should be treated as such. How can a reasonable person compare what Department of Defense or Social Security Administration does to a private company? There is no private military or benefit provider of the same caliber. Government entities have unique circumstances and accounting situations.	Jane Pritchett	BCC <a href="mailto:jane.pritchett@gsa.gov">jane.pritchett@gsa.gov</a>