

October 22, 2010

Financial Accounting Standards Board
401 Merritt 7
P. O. Box 5116
Norwalk, CT 06856-5116
Attention: Technical Director

File Reference No. 1820-100

Via email: director@fasb.org

Re: FASB's Proposed Accounting Standards Update—*Revenue Recognition (Topic 605): Revenue from Contracts with Customers* (“the Proposal”)

Dear Ladies and Gentlemen:

On behalf of salesforce.com, inc. (the “Company”), we appreciate the opportunity to share our views on the above referenced proposal. This letter is specific to Questions 5, 12 and 13 in the Proposal. In our separate letter to the FASB, dated October 19, 2010, we expressed our discontent with the proposed accounting for the costs of obtaining a customer contract, specifically sales commissions.

For your convenience, we have repeated Questions 5, 12 and 13.

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?



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?

Question 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.

Executive Summary

Question 5: Credit Risk and Its Impact on the Measurement of Revenue

We take exception to the Board's views on this topic because of its impact on key metrics such as gross margins. We believe that the measurement impact should continue to be reflected as bad debts expense in the operating expense section of the Statement of Operations.

Question 12: Disaggregation of Revenue for Disclosure Purposes

While we agree with the concept of expanded disclosure to describe an entity's different sources of revenue, we believe that the guidance in the Proposal is too broad. We recommend that the Board consider guidance similar to that in practice for Segment Reporting.



Question 13: Transition -- Retrospective Application

Instead of mandating retrospective application, we recommend that the Board consider an alternate transition model, similar to that described in ASU 2009-13, "Revenue Recognition – Multiple-Element Arrangements," where entities were allowed the flexibility in determining which method in their circumstance was better -- prospective or retrospective application.

Each of these points is described in more detail below.

Overview of salesforce.com and its accounting practice

Salesforce.com, inc. is a leading provider of enterprise cloud computing applications. The Company was incorporated in February 1999 and provides a comprehensive hosted customer and collaboration relationship management service to businesses of all sizes and industries worldwide, and provides a technology platform for customers and developers to build and run business applications.

The Company's stock is publicly traded on the New York Stock Exchange and the Company's stock is included in the Standard & Poor 500 Index.

Substantially all of the Company's revenues are from subscription fees paid by customers who are accessing the Company's enterprise cloud computing application service. Subscription revenues are recognized ratably over the contract terms beginning on the commencement date of each contract. The typical subscription term is 12 to 24 months, although terms range up to 60 months. The subscription contracts are non cancelable.

We do not believe our revenue recognition practices for subscription contracts will substantially change under the Proposal.



Detailed discussion of our views

Credit Risk and Its Impact on the Measurement of Revenue

We do not believe that the measurement of reported revenues should be adjusted to reflect customer credit risk. We also do not believe that changes in the amounts expected to be collected or actually collected subsequent to the satisfaction of the related performance obligation be recognized in other income or expense (i.e., separate from revenue).

This proposed treatment could lead to a distortion in key operating metrics such as gross profit for a given revenue stream and trended results.

Please consider this example: Vendor A enters a new territory (Europe for example). Based on its credit assessment, Vendor A determines that the collection of product sales in the new territory is 90% probable. Accordingly, Vendor A recognizes as revenue 90 percent of the invoiced amounts. However, subsequently, Vendor A is able to collect all of its billings.

Under the proposal, the amounts originally estimated as uncollectible are then recorded as other income versus product revenue in the period of collection.

In this example, gross profit for product revenue, which is a key financial metric for many investors and analysts, was understated since it reflected 90 percent of the invoiced amounts.

We believe the proposed measurement approach impairs an investor's ability to analyze a company's ability to collect the amounts that it has contractually billed. It further imposes an operational burden on companies to reconcile between amounts actually invoiced to the customer (accounts receivable subsidiary ledger) and the accounts receivable balances presented in the financial statements which have been adjusted for credit risk.



Accordingly, we believe that the existing practice of accounting for credit risk through bad debts expense is the better method. We therefore recommend that the Board consider maintaining existing US GAAP provisions.

Disclosure – Disaggregation of Revenue

Paragraph 70 requires that an entity consider the level of detail necessary to satisfy the disclosure requirements and how much emphasis to place. Under the Proposal, an entity would have a tremendous amount of flexibility in determining what categories and sources of revenue to disclose.

We however believe that a better standard would be a requirement that is consistent with other existing literature, such as Segment Reporting. Under the Segment Reporting rules, the information that entities disclose is based on the information made available to and regularly evaluated by the chief operating decision-maker. We believe this is the information most important and relevant to investors related to the amount, timing and effect economic factors have on revenue and related cash flows.

Retrospective Adoption

Paragraph 85 requires retrospective adoption. We believe this requirement will be particularly costly and onerous for a number of companies, particularly those who enter into long-term multi-year contracts or enter into contracts that have a significant number of deliverables.

We believe that the transition rules should be similar to those described in ASU 2009-13 “Revenue Recognition, Multiple-Element Arrangements” where the rules provided flexibility in the timing and manner in which an entity elected to adopt the revised standard.

Under ASU 2009-13, entities could elect either:

- Prospective application to all revenue arrangements entered into or materially modified after the date of adoption, or
- Retrospective application for all periods presented

ASU 2009-13 also allowed for adoption in periods other than the beginning of a fiscal year, provided that the guidance was applied to all arrangements as of the beginning of the entity's fiscal year.

We think this flexibility provides entities with the ability to determine what works best in describing to their investors the trend of revenue results.

Summary

We wish to thank the Board for its careful evaluation of the points in our letter.

We appreciate the Boards' consideration of this matter and welcome the opportunity to discuss any and all related matters. I can be contacted at (415) 901-7000.

Sincerely,

/s/ Joseph C. Allanson

Joseph C. Allanson
SVP, Controller
salesforce.com, inc.

