

October 28, 2010

Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
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File Reference No. 1820-100

Re: Proposed Accounting Standards Update, Revenue Recognition (Topic 605): Revenue from Contracts with Customers

We appreciate the opportunity to respond to the Financial Accounting Standards Board's (FASB or the "Board") Proposed Accounting Standards Update, Revenue Recognition: Revenue from Contracts with Customers ("proposed standard" or "Exposure Draft").

We fully support the Board's overall objective to simplify the guidance on revenue accounting, remove inconsistencies in existing standards, and enhance the comparability of revenue recognition practices through a more robust framework. However, we are concerned that while the standard may simplify the selection of various revenue recognition accounting methods that exist under existing literature, it will significantly (a) reduce comparability within industries of similar economic transactions, (b) dilute the user's ability to understand our primary business, the sale of telecommunication services and (c) increase the cost of compliance resulting primarily from changes to our reporting systems.

We do not support the Board proceeding with the current version of the Exposure Draft. We believe modifications must be made to make the proposed standard more operational and to help the resulting accounting better align with the economic substance of various underlying transactions. Our proposed modifications are further explained in the following paragraphs, with detailed responses to the questions presented in the Exposure Draft, which are included in the Appendix to this letter. Our most significant proposed modifications can be summarized with the following overall observations:

Reducing the comparability within industries of similar transactions

The sale of telecommunication services, such as wireless service, frequently includes the bundled sale of a device (equipment or handset) and sale of service. In the wireless industry, for example, devices are an important element of marketing used to sell our primary product, access to our network. These devices are inextricably linked, through both software and hardware, to our network and therefore cannot be fully or reliably used on another carrier's network for anything but roaming. In order to attract and retain customers, handsets are usually sold to end-use customers at a price below actual equipment cost when bundled with a service contract, which generally carries a term of two years. The amount by which sales price of equipment is below equipment cost is commonly referred to as net equipment subsidy.

The current revenue recognition model for multiple-element arrangements for most telecommunications companies is based on a contingent revenue model, also referred to as the "cash cap" model, which limits the amount of revenue recognized at point of sale in multiple element arrangements based on the amount of initial consideration received. For example, the sale of a wireless handset to an end-use customer for \$200 (\$450 equipment cost) with a two-year service contract for \$50 per month would include recognition of all non-contingent revenue at point of sale; i.e. \$200 of equipment revenue would be recognized, offset by the associated equipment cost \$450, resulting in recognition of net equipment subsidy of \$250 at the time the handset is sold. Revenue associated with providing wireless service is not recognized until provided to the customer as such service revenue is contingent upon the

telecommunication carriers' future performance. Therefore, service revenue of \$50 per month is recognized in each subsequent month of the contract term. Although our current recognition model could be significantly improved by accounting for the net equipment subsidy as an identifiable intangible asset amortized over a period of estimated benefit, it allows users to easily delineate between net equipment costs and the widely watched number "average service revenue per user" (ARPU), enabling financial statement users to separately project future equipment net revenue and future service revenue based on the ending base of existing subscribers and estimated future subscriber gross additions.

For these types of multiple element arrangements, the proposed performance obligation model, which allocates revenue based on a relative selling price method, allocates additional revenue to the point of handset sale, thereby accelerating revenue and profit, with the recognition of a contract asset, and correspondingly, a reduction to service revenue over the remaining contract term. The reduced service revenue thus would reduce ARPU. The example above describes a typical economic transaction; however, these arrangements may take place in various sales channels, such as direct retail owned stores or indirect channels, and through prepaid or post-paid service plans. Although the economic substance of transactions under various sales channels and service plans is similar, we believe application of the current Exposure Draft could result in dissimilar accounting. We believe indirect channel transactions may not be subject to allocation on a relative selling price since the handset is sold (transfer of control and risk of loss) separate from a service contract in which the indirect dealer maintains an agency relationship with the telecommunication service provider. Additionally, prepaid offerings may not be subject to relative selling price allocation methodology under the provisions of the current Exposure Draft. As a result, the method of determining service revenue may vary depending on the final sales channel or service plan offering thereby reducing comparability among telecommunications companies depending on their mix of sales channels or service plan offerings.

We believe an example would best illustrate this concern. Please note that this example is simpler than actual practice as it does not incorporate collectability or any other variables other than the initial contract amounts. Telecommunications companies generally sell products and services through one of two distribution channels – company-owned retail stores (direct channels) and retail stores owned by unrelated parties (indirect channels). Through rebates and commissions indirect channels are compensated in a manner which encourages the indirect channels to sell devices to customers at similar prices to those found in our direct channels. Absent these incentives, channel conflict occurs between direct and indirect sales channels. Although telecommunications' providers and customers are subject to similar economics for the sale of handsets and services through either direct or indirect channels, implementation of the Exposure Draft results in disparate accounting treatment for such sales.

Direct Channel

A telecommunications company buys a handset for \$450, and, after rebates, sells the same handset through a direct channel for \$200. In order to obtain this discounted handset price, the customer enters into a 2 year service agreement with a monthly service charge of \$50. Thus the total transaction price to be allocated for this example is \$1,400.

Indirect Channel

A telecommunications company sells that same handset to an indirect channel for \$450. For illustrative purposes, assume forty-five days later the indirect channel sells the handset to a customer for \$200 when the customer signs the same 2 year contract. At that time the telecommunications company pays \$250 to the indirect channel for selling the handset. The sale of the handset to the indirect channel is separate from the sale of the service agreement. To the end-use customer, a contract to purchase a handset occurred between the indirect retailer while the service contract was entered into between the telecommunication provider and the customer although facilitated through the indirect dealer as an agent. These events could be viewed as two separate transactions with no explicit price interdependence and thus, no revenue allocated to the handset.

We believe these two transactions are economically similar and, as such, should be subject to the same accounting treatment under any new accounting model. We prefer the contingent revenue model as a basis to maintain comparability of service revenue under each of these transactions. Under existing GAAP, service revenue, a key element in evaluating telecommunications companies, is consistent under either a direct or indirect channel sale.

We acknowledge that indirect channel transactions do have some differences between direct channel transactions which include, but are not limited to, independent handset pricing and inventory ownership. Indirect dealers have the ability to independently establish handset pricing; however, in order to remain competitive with direct channel transactions and maximize commissionable sales, the majority of transactions offer handset prices equal to direct channels when paired with a two-year service contract. Indirect dealers take title to the device inventory and accordingly accept inventory risk although obsolescence risk is minimal given their rate of inventory turn. Indirect channels are generally able to accurately project how many phones they can self and when combined with the efficient distribution process minimize the risk those channels incur.

As previously stated the handset, although available for purchase at full manufacturer's suggested retail price (MSRP), is inextricably linked, through software and technology, to the telecommunication carrier's wireless technology and therefore cannot be fully or reliably used on another carrier's network. As such, devices sold by telecommunications providers to indirect dealers are usually paired with a service contract from the same telecommunications company to an end user. Although devices are most likely "distinct" under the Exposure Draft, they would not provide full utility to a user without a telecommunication service contract. In fact, some voice and text only devices, although available at standalone selling prices, would likely have no utility without the benefit of a telecommunication service through a specific carrier although such devices are separately sold and available in the marketplace without such service. We recommend the Board consider further deliberations for such circumstances such as those described above. In addition, we request additional guidance that would align the accounting for various industries through indirect and direct sales channels where the economics are similar.

We believe that additional guidance should be provided specifically for consideration given by a vendor to a customer and how to properly classify those costs within the Statement of Operations. Issues related to this concept are prevalent in the telecommunications industry as commission and subsidy language in contracts with indirect channels are often very similar and require significant analysis to determine the appropriate classification of these items. We believe that guidance which is similar in nature to EITF 01-9 Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products) would be appropriate.

The Exposure Draft requires estimates of credit risk assessed at contract inception to be classified as a reduction to the transaction price and therefore a reduction to the amount of revenue recognized. However, changes in estimates of collectability subsequent to contract inception are required to be classified outside of revenue. We do not view this classification distinction to be an element that is helpful to financial statement users. This is an additional element of distinction that will no longer allow users to easily compare service revenue among companies in our industry. We request that the Board reconsider its position that initial and subsequent estimates should have disparate classification.

Diluting the user's ability to understand our primary business, the sale of telecommunication services

Although the recognition principles outlined in the Exposure Draft may result in more consistency in accounting theory for revenue recognition transactions in many industries, we believe the limited examples provided above demonstrate the reduced usefulness and comparability that would result from the implementation of the Exposure Draft in our industry. Further complexities associated with the proposed model would include the non-predictable equipment and service revenue associated with the multiple combinations of individual handsets and available service plans. Accordingly, an individual handset may have different amounts of revenue recognized when combined with one of several service plan options. While we acknowledge reconciliations could ultimately be developed to assist users in reconciling from current revenue recognition models to those suggested in the Exposure Draft, it would further add to an already extensive amount of existing disclosures not to mention proposed disclosures associated with current ongoing Board projects.

We believe that comparability within the telecommunications industry may be further reduced in the application of the relative selling price method. Some telecommunication companies may use the existing two-year service contract as a basis for determining the selling price of an "identical" two-year service only without a paired equipment transaction, others may estimate based on a minimum service plan level per device sold and others may estimate a hypothetical two-year term service only contract. Current two-year service contracts are priced to include

recovery of net equipment subsidy which, in theory, if sold separately as a stand-alone two-year service contract, would be offered at a reduced service price. We believe a shortcoming of the proposed exposure draft is the hierarchy to determine stand-alone selling price without the acknowledgement of the frequency of transactions executed for such contracts. Paragraph 51 indicates that the "best evidence of a standalone selling price is the observable price of a good or service when the entity sells that good or service separately." For example, an entity wishing to establish a higher relative selling price ratio for service could offer a stand-alone selling price for service at or above current two-year bundled contract service prices. However, we would expect that the execution of such a transaction to be infrequent given the availability of monthly service plans in which a customer could choose to acquire services on a month-to-month basis. As drafted, the proposed exposure draft provides no concept of considering whether or not such a contract is frequently, or ever, executed with third parties in the marketplace and therefore would not be reflective of a price that should be used to determine relative selling price. Whichever method is ultimately chosen by each reporting entity will determine a relative selling price to be utilized in allocating the total transaction price which will dilute, not enhance, a user's ability to understand the financial results of telecommunication carriers both individually and as compared to one another.

In contrast, the current revenue recognition model utilized by the telecommunications industry provides users a clear and understandable model for service revenue. The primary shortcoming of our current revenue recognition model is the upfront "loss" recognized at the time of equipment sale. The economic substance of the net equipment subsidy is a cost incurred to obtain a contractual benefit, a future revenue stream from a customer. The initial upfront "loss" (net equipment subsidy) is recovered through future service revenue, usually over a contractual service period between the carrier and the customer. As the net equipment subsidy provides future economic benefit we believe this "loss" meets the definition of an asset and should be capitalized and recognized over the period of expected benefit. We believe this would better align with the economic substance of many industries' transactions, including ours as we are forgoing handset revenue in order to obtain future service revenue.

An additional factor which we believe supports the viability of this model is current methods of accounting for cable set-top boxes, which we expect would not change under the proposed revenue recognition literature. Set-top boxes are capitalized upon installation in a customer's residence, as entities install the box at little or no fee in order to obtain the monthly service revenue. These boxes are then depreciated over a term which would be similar to the term over which we would amortize the "loss" on handsets. We believe cable boxes are very similar to our handsets as in both cases entities will incur an up-front loss in order to obtain customer service revenue and recover that loss. Unlike handsets, set-top boxes are not sold as the title is not transferred to the customer; however, the transactions are economically similar although executed in slightly different manners. For cable companies, it is generally cost prohibitive or impracticable to actively pursue those boxes if not returned by the customer. Additionally telecommunication carriers charge an early termination fee for customers that attempt to cancel service prior the end of our contract to help mitigate the losses the carriers incur in handset subsidy and other costs of initiating service when the customer does not fulfill the contract obligations similar to the fee which cable companies charge if the cable box is not returned.

Increasing the cost of compliance resulting primarily from changes to our reporting systems

We acknowledge that the Board understands that this standard will likely create significant operational challenges for many preparers as revenue recognition will not align as closely to current billings processes and systems, particularly in our industry. Significant modifications to our existing systems would be required to implement the Exposure Draft, if required to be implemented on a contract-by-contract basis, in such a manner that provides for sufficient internal controls over financial reporting and are expected to be extremely costly.

Transactions in the telecommunications industry are generally high volume, low dollar, relatively homogenous transactions. As such, implementation of this standard on a contract by contract basis would be impracticable, extremely difficult and costly. For example, Sprint has more than 48 million wireless subscribers each of which includes contracts for services. For industries similar to ours, we believe that an option to use a portfolio based approach for homogeneous transactions would make this standard easier to implement while not materially changing

the financial statements. The Exposure Draft explicitly describes the approach for determining credit estimates based on a portfolio approach and we believe such explicit discussion should also be provided for evaluation of revenue recognition of similar contracts to reduce the questions that would otherwise result without such guidance. Therefore, we believe the Board should provide additional guidance and examples which both support and provide examples of implementation of this standard utilizing a portfolio approach.

We appreciate the opportunity to express our views and would be pleased to discuss our comments or answer any questions that the FASB staff or the Board may have. Please contact me at 913-315-7600 should you have any questions regarding our submission.

Sincerely

Ryan H. Siurek Vice President – Controller

Sprint Nextel 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;
- (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?

Yes, we agree with the principle of utilizing price interdependence for determining whether to combine or segment contracts and modifications. However, we believe the Board should further deliberate on specific situations in which price interdependency is also combined with interdependent equipment and services such as the case may be with certain telecommunication providers. We believe that the capitalization model we propose in our general explanation would help to increase comparability within the telecommunications industry across various pricing plans. If that model is not adopted we believe that paragraph 15 should be revised so that non-bundled transactions in which discounts are given to obtain a future revenue stream may be considered as price interdependent. We sell some service on a "prepaid" basis, which means we sell phones at a lower subsidy, without a contract, and customers prepay for service each period. For our prepaid customers we regularly sell the service and phone separately and there is no discount given for customers buying them concurrently as there is no long term contract. However, we subsidize those phones on the basis that we expect the customer will buy service for that phone over a period of time in which we will recover the handset subsidy. We request the Board consider the alignment of the accounting for the transactions described above given the similarity of the economic substance of each. A modification to align the accounting for these transactions would also ensure that telecommunications companies who exclusively provide either prepaid or post-paid service would have financial statements that are more comparable.

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?

We believe the principle of determining whether a good or service is distinct should also consider the frequency of an entity selling identical goods or services separately. For example, wireless carriers, as well as other retailers, offer wireless devices at full MSRP to end-use consumers; however, customers rarely purchase handsets at full MSRP but rather enter into long-term service arrangements to receive a discount on the equipment. In addition, for some telecommunications carriers, the handset, although available for purchase at full MSRP, is inextricably linked, through software and technology, to the telecommunication carrier's wireless technology and therefore cannot be fully or reliably used on another carrier's network utilized on another carrier's network. We believe the Exposure Draft would consider the equipment and the service to be separate and distinct performance obligations notwithstanding the inability of end-use customers from utilizing another service provider's network.

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?

Yes, we believe that this guidance is sufficient for determining when control 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?

While we agree with the concept in general, we believe that some modifications should be made in order to make this portion of the standard more operational and appropriate. We recommend the Board adopt a contingent revenue provision in the Exposure Draft. However, if this approach is rejected by the Board, we believe a concept of minimum transaction price should be incorporated into the standard. For example, if a customer were to purchase a handset and could choose from several service plans for a 2 year contract term, the minimum value service plan should be established for purposes of determining the transaction price or relative selling price allocation. The minimum service plan revenue is the base amount that would earn a sufficient margin on service and be able to recover the full subsidy on the handset. Customers can change their plan at any time to increase or decrease the cost of the service as long as it is not below a minimum plan value which is explicitly stated in the service contract. We believe that the minimum service revenue should be the amount which is used for purposes of determining the transaction price, with the remaining amount, in any, considered an elected upgrade which the customer makes every month at his/her discretion similar to the concept outlined in paragraph IG26. Thus it would be appropriate to revise the standard to state that the transaction price should only include the amount of consideration which is not subject to change subsequent to entering into the contract.

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?

We believe that this approach best fits the proposed revenue recognition model and the substance of revenue transactions. We also expect that implementation of the measurement of customer credit would continue to be performed on a portfolio approach, as current practice permits, which further supports a portfolio based approach to contract evaluation discussed above, as the proposed standard currently infers that credit risk should be examined on an aggregate basis.

We do not believe that changes in estimates associated with customer credit subsequent to the initial estimation should be classified separately from the revenue transaction. If customer credit is considered as an element of measurement in the determination of the transaction price of a contract at inception then subsequent changes in estimate should also be considered as changes in estimates classified as revenue rather than income or expense.

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?

We agree with this in principle; however, we believe that further clarification and modification are necessary to make this operational. Our primary business objective is to sell telecommunication services to customers. In order to attract and retain customers, we offer devices, primarily handsets, which work exclusively on our network, at a discount to MSRP when coupled with a long-term contract. Our long-term contracts also include early termination fees (ETFs) for customers that terminate their contracts prior to contractual termination date. The contractual benefits of the monthly wireless service fee over an objectively verifiable term, or the early termination fee if canceled prior to contract expiration, mitigate the risk of loss on the handset subsidy. Accordingly we recover the discount we give to a customer in a period that is shorter than a year. We believe that the period in which the entity recovers the discount should be a significant consideration when determining if time value of money is material to an entity's transaction. Given the accelerated recovery of net equipment subsidy, we would conclude under the Exposure Draft that time value is not a "material" component of our contracts.

In addition, we believe that there is a lack of clarity as to the proposed standard's definition of "material" in relation to time value of money. The concept of materiality for preparers is generally applied at a financial statement level rather than the contract level which the proposed standard currently implies. The Exposure Draft contains no implementation examples of the Board's concept of the evaluation of time value associated with individual contracts and we recommend an example be provided in the final statement, particularly a multi-element arrangement.

We believe that the time value of money concept should be modified to rely primarily on qualitative considerations. These considerations could include the period in which a discount is recovered, whether the entity utilizes time value of money when setting prices, general industry practice and other factors which the Board determines to be relevant.

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?

Please see our response to questions 2 and 4 above.

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 do not agree with this paragraph as it is currently written. As previously stated in our letter, we believe that "losses" which are incurred to obtain a service contract meet the definition of an asset, should be capitalized and recognized over the period of benefit. Therefore we believe it would be appropriate to modify item "b" in this paragraph to include "losses" incurred to obtain future revenue streams.

Question 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 agree with the costs specified but believe commissions which are paid specifically to obtain the contract with future contractual cash flows should also be included in these items. We believe this will enhance how the standard reflects the economic substance of transactions.

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?

Assuming our previous comments, including suggested additional disclosures, are incorporated in the proposed guidance, we believe that the disclosure requirements will meet the objective to help users of financial statements understand the amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

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?

We believe information sufficient for financial statement users to understand cash flows of a reporting entity generally provides more useful information than would amounts allocated using a selling price method for separate performance obligations. The utilization of performance obligations based on contract terms could be misleading to investors as contract terms, implicit or explicit, could significantly alter the tenor of performance obligations to the reporting entity. For example, customer lifetime value, a concept that embraces the company's ability to retain customers beyond an initial contract term would not be taken into consideration. Conversely, contract termination provisions could shorten the expected life of performance obligations.

We believe that by providing information regarding the number of customers by classification as well as the average revenue per user associated with such classifications, users could determine, based on their own assumptions regarding the reporting entity, future cash flows.

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?

Please see response to Question 11 above.

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.

We believe retrospective application would create the most comparable financial statements both year-over-year and across industries; however, we expect the costs associated with determining retrospective application of historical data would be significant and cost prohibitive, particularly when considering the presentation of summarized financial information required for SEC registrants in both periodic filings and registration statements. Additionally, given the provisions of the Exposure Draft regarding contract modifications and the significant modifications that occur in our industry, retrospective application would be impractical to implement. Therefore, we do not believe that retrospective application would be operational or provide additional decision-useful information to investors. We believe that the most operational method for implementation would be to account for all new contracts entered into after the effective date under the new accounting model.

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?

We believe that there should be additional examples provided. Currently for some concepts included in the proposed standard there is no or limited implementation guidance or illustrative examples. Specifically, there is limited or no implementation guidance related to combination of contracts, contingent consideration payable to the customer, onerous performance obligations, and time value of money in connection with the determination of materiality and contract costs. We believe each section of the standard should have one or more illustrative examples to better explain implementation to preparers.

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?

We agree with both the distinction and the proposed accounting as we believe there is a large difference to the customers buying those products, which should inherently be reflected in the accounting for those products.

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 do not believe that there should be a distinction. In either case we believe that the entity has a performance obligation and performs it by permitting use over the term of the license. In our opinion, exclusivity drives the value; it should not drive the recognition.

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?

Yes, we believe this would help ensure that financial statements are more comparable for different variations of similar transactions.

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?

No, we believe that this guidance should be the same for all entities as we do not believe that GAAP should be different for nonpublic and public entities.