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March 13, 2012

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Mr. Hans Hoogervorst, Chairman
International Accounting Standards Board
30 Cannon Street
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Submitted via electronic mail to director@fasb.org.

Re: File Reference: No. 2011-230, Exposure Draft: *Revenue from Contracts with Customers*

Dear Madam and Sir:

Intel is pleased to respond to your request for comment on the Revised Proposed Accounting Standards Update, *Revenue from Contracts with Customers* (the "Revised ASU") and the respective proposed amendments to the FASB Accounting Standards Codification[®]. In our previous comment letters on the Boards' Discussion Paper, *Preliminary Views on Revenue Recognition in Contracts with Customers*, and the initial Exposure Draft, *Revenue from 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 us.

We commend the Board members and staff for the extensive outreach performed to date. We believe that as a result of this outreach, the Boards have made significant progress on the proposed revenue recognition model. We still have some concerns with the Revised ASU as drafted, the most significant of those concerns being the proposed disclosure requirements. The disclosures proposed in the Revised ASU are much more extensive than those provided in current practice. However, we believe that the continuing expansion of disclosures is not sustainable. In our opinion, certain proposed disclosures in the Revised ASU will not further the Boards' disclosure objective to facilitate a user's understanding of the amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, nor do we believe that the costs of providing these disclosures will exceed the perceived benefits. Our suggestions with respect to disclosures are further explained in the following paragraphs; our responses to

the questions presented in the Revised ASU, in addition to other comments we have on the Revised ASU, are included in the Appendix to this letter.

Over the past decade, the size of financial statements has grown dramatically, with interim reports approaching the size of annual financial statements. We support the FASB and its Disclosure Framework project to develop a comprehensive framework that will improve the effectiveness of financial statement disclosures and eliminate redundant disclosures provided by public companies in their filings with the Securities and Exchange Commission (“SEC”). Improving disclosure effectiveness will require a framework that emphasizes decision useful information over the current one-size-fits-all model. We recognize that the Disclosure Framework project is not a joint project with the IASB. We believe that this is a FASB-only project due to issues unique to the U.S. reporting and regulatory environment, such as overlapping U.S. reporting requirements from the SEC and FASB, as well as multiple interpretations issued from the regulatory infrastructure, including the SEC, audit firms and the PCAOB. The result of this environment is an increased burden to U.S. entities, as well as duplicative and conflicting disclosure requirements that confuse rather than provide value to financial statement users.

The disclosures proposed in the Revised ASU appear to fall into the one-size-fits-all model. For example, the disclosure requirements presume a meaningful delay in the conversion of a sale to cash. The disclosures also presume that revenue reporting by segment and geography, as required by segment reporting, do not capture risks and opportunities to allow a user to understand the timing, nature, amount and uncertainty of revenue and cash flows. We disagree with these presumptions and are concerned that the Boards’ current reaction to provide immaterial disclosures for fear of the regulatory response will further deteriorate financial reporting. We are also concerned that the disclosure requirements in the Revised ASU were designed to meet the needs of financial statement users internationally. We believe that the proposed disclosure requirements would be less expansive if they were designed to fit within the U.S. reporting regime. For example, we believe the disclosure of remaining performance obligations proposed in paragraph 118 of the Revised ASU does not provide information beyond that which is currently required by the SEC’s Regulation S-K 101 requirement to disclose order backlog information. Also, the framework for segment and geographic disclosures in ASC 280, *Segment Reporting*, supplemented by Management’s Discussion and Analysis (“MD&A”) in SEC filings, provides a more robust context for users to understand the timing, nature, amount and uncertainty of revenue and cash flows than the tabular information about risks such as those suggested in paragraph 115 in the Revised ASU. We believe that it is essential that the disclosure requirements proposed in the Revised ASU be reconsidered to ensure that the issues that gave rise to the Disclosure Framework project are not exacerbated by this project.

Disaggregation of Revenue

We agree that disclosure of disaggregated revenue information should help users to better understand the composition of the revenue that has been recognized in a reporting period. The Boards have acknowledged, however, that the level of disaggregation is important because information is obscured if the disclosure of that information is too aggregated or too granular. As noted above, we believe that the current requirements in ASC 280 provide the appropriate level of information about the different types of revenue generating activities of a public entity. ASC 280-10 requires public entities to disclose, at the segment level, revenues from external customers for each product and service or each group of similar products and services, and by geographic areas. Further disaggregation, as proposed by the Boards in the Revised ASU, may conflict with that required by ASC 280 as disaggregation by economic factors may not be consistent with management’s view of the business. In particular, management takes a long-term view and considers economic factors that can impact the timing, amount and uncertainty of revenue when determining the segment information they use to run the business. Existing business processes, such as

data gathering and analysis, are designed to support the segment analysis used by CEOs and CFOs to explain their projections and results to the Board of Directors, analysts and investors. Presentation of additional revenue information by alternative risk factors, which may be susceptible to frequent change, may actually diminish a user's understanding of an entity's revenue by highlighting information that is transient and not qualitatively evaluated or described within the context the segment information. In addition, systems are currently designed to be compliant with ASC 280. As a result, any additional disaggregation requirements would require new systems and processes to be implemented, further increasing the cost of the proposed requirements. In the interest of reducing the degree of redundancy and potential inconsistencies between the Revised ASU and ASC 280, we recommend that the Boards remove the requirement to disclose disaggregated revenue information. If the Boards determine that there are improvements needed to current segment disclosures with respect to the disaggregation of revenue, we recommend that these changes be proposed in the context of segment reporting and not within the Revenue Recognition project.

Reconciliation of Contract Balances

We also do not believe that the reconciliation of the movements in the aggregate balance of contract assets and contract liabilities is necessary to meet the Boards' objective of understanding the amount, timing and uncertainty of revenue and cash flows. We recognize that this requirement seeks to highlight potentially useful information by stratifying elements of current year changes through a comprehensive disclosure requirement. However, this also creates redundant disclosure as principal inputs to the reconciliation of contract balances, such as revenue and cash flows, are already presented in the Statement of Income and the Statement of Cash Flows. We believe that the remaining line items required in the reconciliation would likely be either immaterial for most entities (for example, the balances or changes in contract assets or liabilities) or are already required to be disclosed elsewhere in the footnotes (e.g., effects of a business combination).

We also believe that for most entities, this information is not currently produced or used by management to evaluate performance and run the business. As a result, much of the information required to complete the reconciliation will most likely have to either be tracked in multiple off-line repositories or costly new systems solutions that are capable of capturing the required information. Therefore, aggregation of this information may require a significant administrative effort and/or significant cost to update systems to provide the necessary information. These concerns echo those expressed by us with respect to the Financial Statement Presentation and Other Comprehensive Income projects. We do not believe that these reconciliations assist the Boards in meeting their stated objective, and as such, we believe that the perceived benefit of these disclosures do not outweigh the cost of providing the information.

Interim Disclosure Requirements

In addition to our comments above, we also have significant concerns over the requirement to provide the disclosures as required by the Revised ASU on an interim basis. As part of its Disclosure Framework project, we believe that the FASB needs to develop a set of characteristics for information that should be required in interim reports. The consideration of these characteristics needs to be reflected in the disclosures required by the Revised ASU. We recognize that interim financial statements are necessary to provide users with timely information, including assessing material changes from a public entity's annual SEC filing. However, to enable timely filing of financial information, the FASB has historically acknowledged that there is a necessary balance to the level of disclosures required between the annual financial statements and interim/quarterly periods. We believe that the annual financial statements provide the comprehensive baseline for fundamental analysis of a reporting entity. Interim reports provide a snapshot that serves to assist in adjusting forecasts that are based on that baseline. Accordingly, beyond the basic financial statements and selected notes, interim reports should enable a user to assess material changes from the preceding full fiscal year. This objective is consistent with the manner in which the SEC rules and regulations apply and serves to better highlight information that has changed

rather than force investors to sift through voluminous disclosures to identify a handful of key areas where attention is needed.

In our view, requiring the tabular reconciliations in interim periods that do not have material changes from the most recent annual financial statement disclosures would not provide significant incremental benefits and would considerably increase the volume of disclosure and complexity of application. We believe that information currently included in the interim financial statements, such as revenues and cash flows and supporting MD&A, makes it possible for a user to assess significant changes from the prior fiscal year. Moreover, due to the potential systemic issues that could arise in the process to compile this information for many entities and the condensed timing for quarterly reporting, in addition to the SEC XBRL tagging requirements, compliance with interim requirements would be particularly burdensome to preparers and would provide little, if any, incremental benefit to investors above existing interim disclosures in this area. We request that if the Boards decide to keep the disaggregation and reconciliation disclosures as proposed by the Revised ASU, that such information is only required annually.

Thank you for your consideration of the points outlined in this letter. 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 35 and 36 specify when an entity transfers control of a good or service over time and, hence, when an entity satisfies a performance obligation and recognizes revenue over time. Do you agree with that proposal? If not, what alternative do you recommend for determining when a good or service is transferred over time and why?

Specific to our operations, we believe that the guidance proposed in paragraphs 35 and 36 for determining when a good or service is transferred over time will result in accounting that reflects the underlying economics of a transaction.

Question 2

Paragraphs 68 and 69 state that an entity would apply Topic 310 (or IFRS 9, if applicable) to account for amounts of promised consideration that the entity assesses to be uncollectible because of a customer's credit risk. The corresponding amounts in profit or loss would be presented as a separate line item adjacent to the revenue line item. Do you agree with those proposals? If not, what alternative do you recommend to account for the effects of a customer's credit risk and why?

We agree with the Boards' proposal that the corresponding amounts that an entity assesses to be uncollectible because of a customer's credit risk would be presented as a separate line item adjacent to the revenue line item.

Question 3

Paragraph 81 states that if the amount of consideration to which an entity will be entitled is variable, the cumulative amount of revenue the entity recognizes to date should not exceed the amount to which the entity is reasonably assured to be entitled. An entity is reasonably assured to be entitled to the amount allocated to satisfied performance obligations only if the entity has experience with similar performance obligations and that experience is predictive of the amount of consideration to which the entity will be entitled. Paragraph 82 lists indicators of when an entity's experience may not be predictive of the amount of consideration to which the entity will be entitled in exchange for satisfying those performance obligations. Do you agree with the proposed constraint on the amount of revenue that an entity would recognize for satisfied performance obligations? If not, what alternative constraint do you recommend and why?

We agree with the proposed constraint on the amount of revenue that an entity would recognize for satisfied performance obligations. Specific to our operations, we believe that the indicators provided in paragraph 82 are appropriate to determine if an entity's experience is not predictive of the amount of consideration to which they will be entitled to receive.

Question 4

For a performance obligation that an entity satisfies over time and expects at contract inception to satisfy over a period of time greater than one year, paragraph 86 states that the entity should recognize a liability and a corresponding expense if the performance obligation is onerous. Do you agree with the proposed scope of the onerous test? If not, what alternative scope do you recommend and why?

Although this is not expected to significantly impact our business, as we stated in our comment letter on the initial Exposure Draft, we do not believe that recording liabilities at the level of performance obligations for overall 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 contractual 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 5

The Boards propose to amend Topic 270 and IAS 34 to specify the disclosures about revenue and contracts with customers that an entity should include in its interim financial statements. The disclosures that would be required (if material) are:

1. The disaggregation of revenue (paragraphs 114–116)
2. A tabular reconciliation of the movements in the aggregate balance of contract assets and contract liabilities for the current reporting period (paragraph 117)
3. An analysis of the entity's remaining performance obligations (paragraphs 119–121)
4. Information on onerous performance obligations and a tabular reconciliation of the movements in the corresponding onerous liability for the current reporting period (paragraphs 122 and 123)
5. A tabular reconciliation of the movements of the assets recognized from the costs to obtain or fulfill a contract with a customer (paragraph 128).

Do you agree that an entity should be required to provide each of those disclosures in its interim financial statements? In your response, please comment on whether those proposed disclosures achieve an appropriate balance between the benefits to users of having that information and the costs to entities to prepare and audit that information. If you think that the proposed disclosures do not appropriately balance those benefits and costs, please identify the disclosures that an entity should be required to include in its interim financial statements.

As stated in our cover letter, we have significant concerns over the interim disclosure requirements as required by the Revised ASU. We recognize that interim financial statements are necessary to provide users with timely information, including assessing material changes from the annual financial statements. However, to enable timely information, the FASB has historically acknowledged that there is a balance in the level of disclosures required. Interim information should enable a user to assess material changes from the preceding full fiscal year. We believe the information currently disclosed in the interim financial statements, such as revenues and cash flows and supporting MD&A, makes it possible for a user to assess significant changes from the prior fiscal year. Due to the systemic issues that could arise in the process of compiling these tabular reconciliations for many entities and the tight timing for quarterly reporting, compliance with interim requirements would be particularly burdensome to preparers and would provide little, if any, incremental benefit to investors above existing interim disclosures in this area.

Question 6

For the transfer of a nonfinancial asset that is not an output of an entity's ordinary activities (for example, property, plant, and equipment within the scope of Topic 360, IAS 16, or IAS 40), the Boards propose amending other standards to require that an entity apply (a) the proposed guidance on control to determine when to derecognize the asset and (b) the proposed measurement guidance to determine the amount of gain or loss to recognize upon derecognition of the asset. Do you agree that an entity should apply the proposed control and measurement guidance to account for the transfer of nonfinancial assets that are not an output of an entity's ordinary activities? If not, what alternative do you recommend and why?

We agree with the proposal to extend the Revised ASU's revenue recognition principles to the sale of operational assets not owned for sale in the ordinary course of business. We believe the guidance is operational and sufficient for our business.

Other Comments

Transition

We agree that retrospective application could provide users of financial statements with certain useful trend information. However, we also agree with the Boards' acknowledgement that retrospective application could be burdensome for most entities. 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 will be particularly arduous, as it would require such preparers to maintain dual reporting systems under both current GAAP and the proposed model for the retrospective periods. This would inherently increase the amount of time needed to adopt the proposed requirements or, alternatively, would require impractical and onerous judgments to estimate the period specific effects of applying the new requirements to previously reported results.

Absent the burden that retrospective application will present for most entities in restating revenue, there are also other downstream implications. For example, entities will have filed tax returns in various domestic and foreign jurisdictions under current GAAP revenue guidance prior to the effective date of the Revised ASU. Retrospective application of the Revised ASU will result in significant deferred tax implications. These calculations will need to be reassessed by each jurisdiction resulting in significant cost and effort. Implications of retrospective application could also include, but are not limited to, accounting for certain costs that are based on revenue, such as commissions or bonuses.

The costs to track and report under dual principles for extended periods of time would also be prohibitive. Many entities have had to build significant custom solutions, which may span multiple ERPs, to recognize revenue appropriately and the proposed changes will require modifications to those systems. The lead times to make the system changes and provide three years (and potentially five years to address the SEC's "Selected Financial Data" requirements) of comparative financial data would be significant. Some entities may require two to three years to complete system implementations based on current IT roadmaps and the extent of changes required. We do not think the concerns over transition 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 again recommend that the Boards implement a transition alternative similar to that allowed 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 allow entities the flexibility to apply the guidance prospectively 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 also be permitted. For each year of comparative information that is required by the Board to retrospectively transition to a new standard, companies will need an additional year for implementation, which then pushes the effective date by one year. A prospective transition would inherently reduce the time required to implement and report under the Revised ASU. The Board needs to recognize that not one transition method will work for every type of entity. There needs to be a balance between the extent of accounting change to an entity, the cost of the change and the user's need for comparability. We believe that that management, working with investor relations and their investing community, is in the best position to make that determination.