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Jackie Lyons, CPA
Austin, Texas
jackiesun@austin.rr.com

Financial Accounting Standards Board
401 Merritt 7
Norwalk, Connecticut 06856-5116

International Accounting Standards Board
30 Cannon Street
London, UK EC4M6xh

Submitted via electronic mail to director@fasb.org

Subject: File Reference: No. 2011-230
Exposure Draft: *Revenue from Contracts with Customers*
Section BC165 c – Impairment losses as separate line item adjacent to revenue

Dear FASB and IASB Members,

As a corporate preparer with a software revenue recognition focus, I appreciate the opportunity to provide a perspective on the Revised Proposed Accounting Standards Update, *Revenue from Contracts with Customers*. This document represents my perspective in working with many software and technology companies.

There is significant judgment required in the current revenue recognition guidance. Software revenue recognition is one of the complex areas of revenue recognition. In the software industry, collectability requirement threshold is an important requirement of the current US standard. I suggest this be evaluated to continue in the new standard such as collectability is reasonably assured, is probable, or such. The profession values a method to establish when a transaction is “revenue” in addition to the guidance provided in BC34 regarding commercial substance.

Several examples come to mind on exceptions companies deal with regarding collectibility. For example: accounting for contracts that have historically been on a cash basis. Cash basis or other type of deferral based on due dates such as: sales to lesser developed countries, countries with unstable financial structures, new companies with a lack of credit history, companies with poor payment histories, etc. These types of transactions raise questions on timing of revenue recognition or recognition with a later impairment.

In reading the exposed standard, I contemplate how to account for these scenarios. The agreements have commercial substance (BC34), and there is not a **significant** doubt at contract inception about the collectibility of consideration from the customer. There is doubt regarding

collectability, but not significant doubt. The question is how to account for these type transactions. Thinking about this in practice, it would be unlikely to defer revenue under the new standards, it would more likely be handled through the impairment process. I raise this issue to the Boards for consideration if this is the intended outcome.

Including revenue and a separate adjacent line for impairment losses is a proposal that I support. This presentation of the information makes it clearer to the reader of the financial statements regarding the true economic value of the business. The comment was raised in the healthcare industry whether a write-off is a credit adjustment or a billing adjustment, from an investor's point of view, the outcome is the same – less cash to the business. Therefore, another reason the separate line adjacent to revenue is a benefit for the readers of the financial statements rather than being included as an expense.

Paragraph 69 indicates collectibility to be assessed at the contract level. There is a lack of consistency with ASC 310, which allows collectibility to be assessed at the portfolio level. It would be beneficial to receive clarity on how to apply and an example of the financial statement presentation of revenue including the adjacent impairment line item.

Under the existing US GAAP guidance, credit risk is assessed at the time of the software transaction. If a contract is accepted, deferred due to 'collectability is not assured' and the contract is ultimately uncollected, there is not an impact on the financial statements, since the revenue was not recognized. Under the proposed guidance, if revenue is ultimately uncollectable, then it is impaired in a future period (unless deferred under BC34 – significant risk or ASC 310.) There will be a different outcome in the financial statements.

Presenting impairments as an offset to revenue, will receive higher visibility than in practice under the existing standards. When the impairment is segmented in the revenue section, it will provide a more complete representation of the financial transaction. It will also provide investors additional information and it will more closely align management and accounting guidance.

I continue to support the overall goals of the Boards' joint revenue recognition project: the convergence of U.S. GAAP and IFRS, the simplification of existing GAAP, and the comparability of revenue across companies and geographical boundaries. Let me know if I can be of any assistance as a preparer focused on revenue recognition.

Sincerely,
Jackie Lyons
512-970-0897

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