

# FASB Revenue Recognition

## Electronic Feedback Form Response

Date of Entry: 3/13/2012

### Respondent information

#### Type of entity or individual:

Preparer

#### Contact information:

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### Questions and responses

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?

We agree that the principles outlined in paragraphs 35 and 36 in determining when a performance obligation is satisfied over time are sufficiently clear for us to apply in our business model.

2. Paragraphs 68 and 69 state that an entity would apply Topic 310 or IFRS 9 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 proposal to apply Topic 310 in accounting for consideration that may be uncollectible. However, we believe that presentation of the amount as an additional line item adjacent to the revenue line item could reasonably be done better within the footnotes, particularly if the entity already includes its bad debt reserve valuation schedule within its footnotes and simply expands its disclosure to encompass the proposed additional information.

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?

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?

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5. The Boards propose to amend Topic 270 on interim reporting and IAS 34, Interim Financial Reporting, 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: A. The disaggregation of revenue (paragraphs 114 through 116) B. A tabular reconciliation of the movements in the aggregate balance of contract assets and contract liabilities for the current reporting period (paragraph 117) C. An analysis of the entity's remaining performance obligations (paragraphs 119 through 121) D. 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) E. 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.

We believe that the proposed interim disclosures are inconsistent with the overarching principles of interim reporting. Interim reporting is designed to provide the financial statement user with information about significant changes since the last annual reporting period. The majority of our sales are subscription-based products that are generally delivered to the customer over twelve months, and consequently represent a fairly stable and predictable revenue stream for us. We believe that including the proposed disclosures in our interim financial statements would actually distract the investor from the information that we believe is most relevant and meaningful as they make their investment decisions.

Additionally, the burden of preparing these additional disclosures would be significant to us, especially considering the bias toward additional disclosure in proposed standards, XBRL tagging requirements, and continuing to comply with the requirements under short interim filing deadlines.

We believe that in annual financial statements, it is important for us to describe 1) the principal sources of our revenue and the accounting policies we apply to each source, 2) the significant estimates and judgments we apply in recognizing and measuring revenue, and 3) quantitative information about those sources of revenue, which we find most appropriate to describe in our segment footnote. We don't agree that the reconciliation of contract balances, onerous performance obligations, or contract assets provide decision-useful information for our investors, particularly when we don't prepare or use that information internally today. We also question the overall volume of additional disclosure required, as it inevitably will result in significant system modifications to accommodate the collection of the data necessary to prepare the disclosures.

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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 the proposed guidance on control to determine when to derecognize the asset and apply the proposed measurement guidance when determining 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?

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A1. Do you agree that the proposed amendments that codify the guidance in the proposed Update on revenue recognition have been codified correctly? If not, what alternative amendment(s) do you recommend and why?

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A2. Do you agree that the proposed consequential amendments that would result from the proposals in the proposed Update on revenue recognition have been appropriately reflected? If not, what alternative amendment(s) do you recommend and why?

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ClarifyingComments. Please provide any additional comments on the proposed Update:

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OtherComments. Please provide any comments on the electronic feedback process:

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