

FASB Revenue Recognition

Electronic Feedback Form Response

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Respondent information

Type of entity or individual:

Industry Organization

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?

no comment at this time

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?

no comment at this time

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?

no comment at this time

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?

no comment at this time

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.

no comment at this time

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?

no comment at this time

- 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?

no comment at this time

- 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?

no comment at this time

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

Our comments relate to paragraph 64 and specifically to ASC 605-10-55-37 through ASC 605-10-55-42.

United Way Worldwide (UWW) and its 1,229 local United Way members in the USA have a license agreement whereby the member pays an annual fee to UWW and agrees to abide by a number of specific requirements. In return the member receives an exclusive right to use our trademarks in a defined geographic area and various forms of support (training, consultation, information, etc.) from UWW. While this license structure shares a number of traits with a "franchise" it is not legally structured as a franchise.

With that as context, our concern is that if our member license agreement were deemed to be a license as described in ASC 605-10-55-37 or 38, then it would appear that ASC 605-10-55-39 will require us to determine a total value to record as revenue when we transfer a license to a member. We believe that the cash payment is the only value that should be recorded as revenue but we are concerned that because the member must also agree to comply with our member requirements, that it might appear that there is also a performance obligation that must be valued. Granted that the criteria in ASC 605-10-25-18 through 25-25 are provided as determining factors, they do not seem to address our situation because of the value of the training, consultation, information, etc. that we provide to the members in addition to the rights to use the brand. These are not specific performance obligations because what the licensee receives varies depending on the licensee's need for such services. It would seem that if there is an element of exchange that is taking place as part of the agreement rather than measurable performance obligation. Thus it would seem prudent to build into the standards an assumption that the value of each party's obligation is equal and need not be recorded as revenue.

This is of particular importance when determining the value of the obligations is challenging due to lack of available market data for similar services or the actual quantity of service provided varies from year to year or licensee to licensee.

Therefore, we would respectfully ask the board to consider adding a specific exception from the requirement to record revenue when there are mutual obligations exchanged between parties in addition to a cash payment.

If additional information is needed to fully understand our concerns, please feel free to contact me.

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