January 31, 2010

Technical Director
Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

Sent via email to director@fasb.org


IHS Inc. appreciates the opportunity to comment on this Discussion Paper on effective dates and transition methods. IHS is a leading source of comprehensive content and expert analysis in the energy, economics, geopolitical risk, sustainability, and supply chain management fields. We have been in business since 1959 and became a publicly traded company on the New York Stock Exchange in 2005. We employ over 4,400 people in more than 30 countries around the world, and we have approximately $1 billion in annual revenue.

We support the FASB’s and IASB’s efforts to improve the quality of accounting and financial reporting, particularly in converging standards wherever possible. We also appreciate the FASB’s desire to assist stakeholders manage the pace and cost of change. We have reviewed the questions raised in the Discussion Paper and attached an appendix to this letter that provides our detailed responses for the areas that are of particular relevance to us.

We appreciate the opportunity to share our views on this important subject, and thank you for your consideration.

Sincerely,

Heather R. Matzke-Hamlin
Senior Vice President and Chief Accounting Officer
Appendix
Comments on Effective Dates and Transition Methods Discussion Paper

Question 1. Please describe the entity responding to this Discussion Paper.

We are commenting on this Discussion Paper from our perspective as a preparer of financial statements. We prepare our financial statements under U.S. GAAP.

IHS is a leading source of comprehensive content and expert analysis in the energy, economics, geopolitical risk, sustainability, and supply chain management fields. We source raw data and transform it into information through a series of transformational steps that reduce the uncertainty that is inherent in unrefined data and enhances its usefulness. We have been in business since 1959 and became a publicly traded company on the New York Stock Exchange in 2005. We employ over 4,400 people in more than 30 countries around the world, and we have approximately $1 billion in annual revenue.

Question 1e. Please describe the degree to which each of the proposed new standards will likely affect you and the factors driving that effect (for example, preparers of financial statements might explain the frequency or materiality of the transactions to their business).

We will be primarily affected by the Revenue Recognition, Leases, and Financial Statement Presentation projects.

Revenue Recognition. The Revenue Recognition Exposure Draft proposed a number of changes to the existing revenue recognition framework, and we submitted a comment letter to the FASB discussing our views on the various proposals in that draft. The impacts of the proposed guidance would likely have some level of impact on all of our revenue transactions. We are currently in the process of implementing a business transformation initiative to consolidate and standardize our sales force automation, quote-to-cash, and all supporting systems. We expect that we will likely have to incur significant additional costs to modify this system to accommodate the proposed guidelines in the Exposure Draft.

Leases. The Leases Exposure Draft proposed various changes to the existing lease accounting framework, including the capitalization and continuous review of all leases. We submitted a comment letter to the FASB discussing our views on the various proposals in that draft. We have approximately 100 locations around the world where we currently maintain facility leases. Part of our business strategy is centered around merger and acquisition activity, so our
leasing function is continually reviewing, updating, and negotiating leases for us. As proposed, we would have to evaluate those leases on a quarterly basis on a number of different factors; consequently, we would need to modify current systems or identify new systems that could assist in the regular update and review of our leasing activity and the associated accounting.

Financial Statement Presentation. Under the proposed changes, we would need to update our financial systems to capture transaction level data for the direct cash flow method and to segregate the balance sheet and income statement into operating and investing categories. We have already spent a significant amount of money in designing and implementing our new financial reporting systems – the proposed guidance would add significantly to the overall cost of the work we are already doing.

Question 2. Focusing only on those proposals that have been published as Exposure Drafts (accounting for financial instruments, other comprehensive income, revenue recognition, and leases):

a. How much time will you need to learn about each proposal, appropriately train personnel, plan for, and implement or otherwise adapt to each new standard?

b. What are the types of costs you expect to incur in planning for and adapting to the new requirements and what are the primary drivers of those costs? What is the relative significance of each cost component?

We expect that we will need to invest a significant amount of time and resources to implement the new standards.

Revenue Recognition. Since the Revenue Recognition Exposure Draft will have a significant impact on our revenue transaction processing approach (both from a breadth of transaction coverage as well as volume of transactions), we will need to modify our accounting systems to comply with the new rules. As mentioned in the previous question, we are currently in the process of implementing a comprehensive accounting solution for our quote-to-cash cycle. We estimate that the planning, design, testing, and ultimate rollout of the system across all of our geographies will be completed over the course of approximately two years. While we would not expect that the implementation of the proposed revenue recognition rules would take quite that long, it would still entail a significant work effort, and we would recommend a minimum two-year lead time to allow us to implement the changes.
Leases. We do not currently use any type of ERP module or other similar system to track our leases, but in reviewing the Leases Exposure Draft, we believe that a lease accounting system will likely be the most effective and efficient tool for lease analysis and tracking. As with any system implementation, a significant amount of planning, design, testing, and implementation work is required to ensure a smooth transition, and we estimate that it would take us at least one year to complete the work necessary to implement the new standard.

These time estimates assume a prospective adoption approach; to the extent that we are required to use a retrospective or limited retrospective approach, we would need to incur significant additional time and effort in preparing the required information. The preparation of prior information may not even be practicable due to the need to apply unavailable judgments and assumptions to past transactions.

Question 3. Do you foresee other effects on the broader financial reporting system arising from these new standards? For example, will the new financial reporting requirements conflict with other regulatory or tax reporting requirements? Will they give rise to a need for changes in auditing standards?

We anticipate that there will be some level of effect on the broader financial reporting system, but we don't expect the impact to be significant. For example, debt covenant ratios will likely be affected by the changes to lease accounting, potentially creating a debt covenant violation simply due to adopting the new guidance; however, if sufficient lead time for adoption is allowed, we believe that many of these issues can be reasonably resolved in a short period of time.

Question 4. In the context of a broad implementation plan covering all the new requirements, do you agree with the transition method as proposed for each project? If not, what changes would you recommend and why? In particular, please explain the primary advantages of your recommended changes and their affect on the cost of adapting to the new reporting requirements.

From our perspective as a preparer, we believe that the most efficient and cost-effective method of adoption is the prospective approach. Use of this approach allows preparers to develop the necessary systems once, rather than having to develop a parallel system to track under the old and new rules, or to incur significant time and resource efforts to re-create prior period data.

Revenue Recognition. The proposed rules require that certain judgments and assumptions be made at the time of the transaction, which we do not currently track. Consequently, if the retrospective method of adoption is ultimately required, we would need three years after implementing the necessary system changes in order to build up the three years of history under the new rules. This
approach would create a parallel amount of work for the three-year time frame, resulting in a significant increase to our personnel and IT costs over that time period.

Leases. We agree that the limited retrospective approach for implementation of the leasing standard strikes a reasonable balance to provide users with useful information without overburdening the preparer.

Financial Statement Presentation. We have the same concerns for financial statement presentation as for revenue recognition. If the retrospective method of adoption is ultimately required, we would need to have sufficient time to build up a history under the new rules. This would result in a parallel workflow for three years along with the attendant costs associated with the system duplication during that period.

Question 5. In thinking about an overall implementation plan covering all of the standards that are the subject of this Discussion Paper:

a. Do you prefer the single date approach or the sequential approach? Why? What are the advantages and disadvantages of your preferred approach? How would your preferred approach minimize the cost of implementation or bring other benefits? Please describe the sources of those benefits (for example, economies of scale, minimizing disruption, or other synergistic benefits).

b. Under a single date approach, what should the mandatory effective date be and why?

c. Under the sequential approach, how should the new standards be sequenced (or grouped) and what should the mandatory effective dates for each group be? Please explain the primary factors that drive your recommended adoption sequence, such as the impact of interdependencies among the new standards.

d. Do you think another approach would be viable and preferable? If so, please describe that approach and its advantages.

We prefer the sequential approach to an overall implementation plan. Our experience with systems implementations suggests that in order to ensure a sound implementation and smooth transition, it is crucial that we dedicate adequate time to each part of the process, including consideration of the interrelationships of the individual parts in the context of the larger systems environment to avoid any unintended consequences. We believe it is easier and more effective to address the impacts of a change in accounting standards one by one, rather than trying to address all of them simultaneously. We think it will also be clearer to an investor to see the impact of changes in accounting standards on a standard-by-standard basis.
Like many other businesses, we have tried to manage our workforce very prudently over the years, and if a single-date approach were required, we would expect to utilize more costly external resources to meet all of the single-date deadline requirements in a timely manner. Under a single-date approach, we believe that 2017 would be a reasonable expectation for the new accounting standards to be adopted, assuming retrospective application is required. That would allow us the time to implement the numerous required system changes and to build up the comparative history for retrospective disclosure.

Under the sequential approach, we would prefer to see Other Comprehensive Income with the earliest effective date, followed sequentially by Leasing, Revenue Recognition, and Financial Statement Presentation.

In any case, we expect that the FASB will coordinate closely with the SEC in determining appropriate effective dates to ensure that any expected transition to IFRS requirements do not create a dual implementation requirement, which would be cost-prohibitive for us to meet.

**Question 6.** *Should the Board give companies the option of adopting some or all of the new standards before their mandatory effective date? Why or why not? Which ones? What restrictions, if any, should there be on early adoption (for example, are there related requirements that should be adopted at the same time)?*

We would not object to allowing for early adoption. Each company will need to exert a different level of effort in order to meet the new standards, depending on the company’s size, volume and complexity of transactions, system infrastructure, and significance of the new standard’s impact on their business. Early adoption allows each company the flexibility to adapt their processes and information systems to the new accounting standard according to the best implementation timeline for that business.

**Question 8.** *Should the FASB and IASB require the same effective dates and transition methods for their comparable standards? Why or why not?*

We would highly encourage the FASB and IASB to require the same effective dates and transition methods for their comparable standards. We support the FASB’s and IASB’s efforts to converge their standards to create a single set of quality global accounting standards, and we believe that convergence ideals should extend to effective dates and transition methods as well.