January 31, 2011

Submitted via email (to director@fasb.org)

Technical Director
Financial Accounting Standards Board
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File Reference No. 1890-100 - Effective Dates and Transition Methods

Technical Director, Board Members, and Staff:

Dell appreciates the opportunity to comment on the Discussion Paper: Effective Dates and Transition Methods. We continue to support the convergence of US GAAP and IFRS. Replacing the current US multiple rules-based standards with a single set of high-quality globally accepted accounting standards will help improve consistency, and enhance comparability.

We have significant interest in the Board’s projects underlying the discussion paper and have spent considerable time and effort in commenting on the exposure drafts that will have the most significant impact to us. While we support the convergence efforts of the Board, we believe that the cost of implementing converged standards should not outweigh the benefits derived by stakeholders.

The changes proposed are unprecedented. Implementation of these standards will be a complex, time consuming, and costly activity which will require careful planning. Changes to our transactional systems would be necessary for approximately 300 legal entities across 70 countries where Dell does business. We are active in merger and acquisitions and therefore have to work with several general ledger systems during the integration period. Currently we have approximately ten different general ledger systems. Given the complexity, magnitude of effort, and cost, these systems should be touched only once. Therefore, we believe that the FASB and IASB should reconcile all the current differences and issue converged standards with the same effective dates and transition methods. In addition, the SEC decision on IFRS needs to be taken into account while determining the effective dates for these standards. During the implementation timeframe, between standard issuance and adoption, there should be a moratorium on all other changes in new or current accounting standards.
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Implementation plans are also complicated by the fact that the standards are not yet complete. There is a large volume of comment letters on the exposure drafts which have been issued. The Boards need to redeliberate and in some cases re-expose these standards prior to their issuance. Also, it is difficult to assess the potential impact of those standards referenced in this Discussion Paper that have not yet been exposed. For example, Financial Statement Presentation and Financial Instruments with Characteristics of Equity would have a significant implementation impact and until we understand the final requirements we cannot evaluate the impact and the implementation plan. But based on the current information available, the timeline would increase substantially if these projects were included. We believe these projects should be permanently tabled and current presentation should be maintained.

The changes suggested are unparalleled and complex. Many involve judgments and estimates at the transactional level. Since it is difficult to recreate history by making estimates on the information available at the time, we recommend a prospective transition method. Though this would create consistency issues over two years of adoption, it is the most cost effective transition method and reflects the true state of business in the new principle based standards environment. If this method is not acceptable to the Board, we recommend a limited retrospective transition method where, in the year of adoption, we limit the restatement to the immediately preceding year. Thus, in the year of adoption, companies would provide comparative financials for the two most recent years. This will expedite the implementation, show a true state of the business, and would be less burdensome than a full retrospective approach for companies from a cost and time perspective.

Since these standards are highly complex and comingled, we believe a single date approach would be best. This will help ensure that the transaction systems are touched once and would cause the least disruption to business. Companies should be given the flexibility to early adopt and there should be no prescribed order of implementation. This will allow companies to adopt these new standards in the most effective and efficient way based on their unique circumstances. During the year of transition, companies would provide disclosures to explain the impact in the year of implementation. Additionally, in order to guide companies during implementation and better understand operational challenges, we suggest the Board do field tests of the proposed standards prior to final issuance and develop implementation guidance as part of the standards. The Board should also consider establishing a resource group to guide companies during the implementation process.

Further discussion of these topics is in the Appendix.

We appreciate the opportunity to submit these comments on the Discussion Paper. We are available to help and to further discuss the additional updates that we believe are necessary to Transition Methods and Effective Dates. If you have any questions, please contact me at (512) 728-8092.
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Sincerely,

Thomas W. Sweet
Vice President and Chief Accounting Officer
Dell Inc.

Christy Ebrom
Corporate Reporting Director
Dell Inc.

Shikha Gupta
Corporate Reporting Consultant
Dell Inc.
Appendix

Q1. Please describe the entity (or the individual) responding to this Discussion Paper. For example:

a. Please indicate whether you are primarily a preparer of financial statements, an auditor, or an investor, creditor, or other user of financial statements (such as a regulator). Please also indicate whether you primarily prepare, use, or audit financial information prepared in accordance with U.S. GAAP, IFRSs, or both.
b. If you are a preparer of financial statements, please describe your primary business or businesses, their size (in terms of the number of employees or other relevant metric), and whether you have securities registered on a securities exchange.
c. If you are an auditor, please indicate the size of your firm and whether your practice focuses primarily on public companies, private entities, or both.
d. If you are an investor, creditor, or other user of financial statements, please describe your job function (buy side/sell side/regulator/credit analyst/lending officer), your investment perspective (long, long/short, equity, or fixed income), and the industries or sectors you specialize in, if any.
e. 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 and investors might explain the significance of the transactions to the particular industries or sectors they follow).

Dell’s Response:

Dell is a US public company listed on the NASDAQ stock exchange. We sell products in over 120 countries. Dell delivers innovative technology and services to customers. As a leading technology company, we offer a broad range of product categories, including mobility products, desktop PCs, software and peripherals, servers and networking and storage. Our services include a broad range of configurable IT and business related services, including infrastructure technology, consulting and applications, and business process services. Dell is a $60 billion company that processes orders and ships millions of computers every week with even more individual customer interactions every week. We have approximately 300 legal entities across 70 countries. As of Q3FY11 our future maturities of lease receivables were approximately $1.8B. On an average 119,000 orders are placed with Dell in the US every day.

The proposed standards included in the Discussion Paper that will most significantly impact Dell are Revenue Recognition: Revenue from Contracts with Customers, Leases, and Accounting for Financial Instruments. While each of these standards are significant, their interaction with each other makes the implementation complex, requiring investments in information technology, training, policies and processes,
education and negotiations. These changes would have to be introduced to each of our legal entities. There are 55 key financial systems which would need to be changed to meet the compliance requirements. Financial Statement Presentation and Financial Instruments with Characteristics of Equity will also have a significant impact but we believe these projects should be removed permanently.

Q2. 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 the 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?

Dell’s Response:

The new accounting changes are complex and require fundamental changes to how we account for and report financial information. This would require significant time and effort to implement.

For some standards which have been released - Accounting for Financial Instruments, Revenue Recognition, and Leases – we believe a significant deliberation process is required to scrutinize the concepts proposed and address unintended consequences in the final standards. Given the volume of comment letters with divergent views received on various standards, it is clear that the Boards need time to carefully consider the final standards and where significant changes have occurred re-expose the standard.

The SEC decision regarding IFRS needs to be considered. If this is ignored, potentially we may run into a situation where we are adopting and implementing multiple standards on the same topic and introducing significant changes on the same topic over a short period. This would be very costly and inefficient for companies. It would also take resources away from other projects that would help develop the business.

Dell reports on US GAAP, IFRS, and local standards. Since an increasing number of companies are subject to both US GAAP and IFRS through international subsidiaries, there is an opportunity to simplify by having a single set of converged standards with the same adoption dates. Therefore, the Board needs to consider and reconcile any existing differences, including those in new FASB standards and comparable IASB standards prior to issuance.

The transition method would also determine the time needed for implementation. For example, the retrospective method would require more time to maintain history
and increases the timeline due to the need for dual reporting. We recommend prospective presentation with no restatement of history. This will expedite the implementation and would be least burdensome for companies from a time and cost perspective. If this method is not acceptable to the Board, we suggest a limited retrospective presentation with a two period comparison in the year of adoption. We recognize that this will impact comparability but it is a short term problem and a necessary compromise to move forward with a timely implementation. The final transition method would need to be agreed to by the SEC.

The requirements under the final standard would also determine the time and cost of implementation. For example, if the requirement to estimate, at the time of lease inception, renewal options and contingent rentals is removed from the final Leasing standard, it will significantly reduce the complexity of implementation.

Based on the above, we believe that the implementation timeline should be at least 5 years from the date of final issuance of all proposed accounting standards. During these 5 years of implementation, there needs to be a moratorium of any new accounting standards or changes to existing accounting standards.

The types of costs expected to be incurred are-

- System costs - including substantial costs for system selection, design, reprogramming of existing systems, implementation and training. ERP providers would need to make modifications to both general ledger and subsystems for the new requirements. Further, IT roadmaps are set well in advance and would have to compete with planning schedules, resources and other business system development priorities. Since a number of these standards, for example, Revenue Recognition, impact individual transactions, it is critical that automated solutions perform the proposed accounting rather than manual processes.
- Accounting/audit fees - to provide opinion on new controls and accounting which involves an increased use of management estimates.
- People cost – Dedicated to implementation, benchmarking, education and training. People dedicated to more manual processes due to the increase in use of estimates. Increased workload to complete the implementation methodology and additional disclosures. Also, ongoing reporting efforts require permanent staffing additions.
- Controls – Assessing, creating and testing new controls due to the complexity and increase in management judgment.
- Process and policy – Need to redesign processes to match new accounting environment. The processes will be more complex due to need for additional estimates.
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- Education cost – Cost to educate employees, Board of Directors, Audit Committee, bankers, investors, and vendors regarding the impact of new accounting changes
- Contract renegotiations if leases and other contracts need to be modified or renegotiated as a result of the new rules.
- Disclosure costs – The disclosures proposed in the exposure drafts are much more extensive than those required in current practice. There will be incremental costs to provide these disclosures.

Q3. 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?

Dell’s Response:
The proposed changes would have significant impact on the financial reporting system. There will be changes in business strategies and how companies operate. This would entail changes in contracts with customers, lenders, vendors, and it would impact performance metrics and likely cause changes to employee compensation plans. The adoption of the new standards will also affect the manner in which senior management, the Board of Directors, and investors evaluate a company’s financial results. For example, the adoption of the proposed Lease standard would have a significant impact to some company’s balance sheet and financial ratios and could potentially impact debt covenants and the ability to raise additional capital.

Q4. 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.

Dell’s Response:
A full retrospective application would be unrealistic due to the scale of changes and the desired adoption timeline.

For all standards we recommend a prospective approach where, in the year of adoption we apply new rules but do not restate previous years. This is because many of the new accounting standards involve transactional judgments for which it would be difficult to recreate the historical environment for three years to make these judgments. For example the Financial Instruments standard requires evaluation of
fair value in every period. Recreation of historical environment for making judgments around fair value is not possible as events subsequent to the historical year are already known. Similarly, Revenue Recognition rules need judgment on a transactional basis.

If the above method is not acceptable to the Board, we recommend a modified approach where, in the year of adoption, we restate the previous year.

Retrospective implementation adds at least three years to the implementation timeline and would require two different general ledgers and consolidated reporting. Also, business processes during the comparative period will be doubled and will tie up considerable resources. This makes retrospective implementation too costly and impracticable given the significant changes in the exposure drafts. We believe the costs outweigh the benefits of an additional year of retrospective implementation.

**Q5. 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.*

**Dell’s Response:**

We recommend a single date approach. The proposed new standards fundamentally change how we record and report financial information. Each of these standards is highly complex and involves interactions with other topics. For example, a complex transaction could involve the Revenue Recognition, Leases and Financial Instruments standards. Thus guidance related to these topics would need to be adopted together to account for the transaction correctly and comprehensively. Companies need to consider requirements of all these standards simultaneously to avoid making changes to transactional systems more than once.

Under a staggered approach, each standard implementation would require the full project costs associated with the system changes, employee training, assessment of
internal controls, and bridging between financial information for several years to make them comparable. The cost of these activities would be burdensome for companies. This makes it difficult to justify a staggered approach. Although we do believe that companies should have the option to early adopt and as a result possibly have a staggered approach, this would only be at the option of the company.

Single adoption date would also limit the need to repeat certain requirements such as negotiation of loan covenants. It also helps maintain comparability between financial statements of entities. From a reporting perspective, the transitional impacts would be reported once and also communicated in a single coordinated fashion to our investors and other key stakeholders. This provides a more stable platform for the users of financial statements.

Although all standards need to be completed before any final decisions can be made on the implementation timing, we have provided a suggestion based on our current expectations.

We recommend that these standards be effective five years from the date of final issuance of standards based on the following –

- Since the changes are unparalleled, considerable time and effort is needed to understand the scope and complexity.
- Organization wide implementation and training will be necessary.
- The nature of requirements in the final standard will determine the likely effective date. For example, time value of money, collectability, evaluation of performance obligation, quality assurance warranties, and variable consideration requirements will make implementation of the Revenue Recognition standard complex since these judgments need to be made for every transaction. In US alone there are on average approximately 119,000 orders placed daily with Dell.
- Availability of specialized software and ERP solutions by the manufacturer and software providers. For example, the software generally does not exist for Lessee accounting and will need to be created as the proposed lessee accounting is a drastic departure from current accounting.
- The Boards should re-expose standards if significant changes are made to exposure drafts prior to final issuance.
- The Board should consider field testing before the standards are finalized and develop implementation guidance as part of standard setting to help guide companies.
- We request the Board to establish a resource group to assist companies with questions they may have while they are working on implementation.
- The Board also needs to consider the SEC's decision regarding permitting US companies to use IFRS.
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- The Board needs to consider and reconcile any existing differences between US GAAP and IFRS.
- During the 5 years of implementation, there needs to be moratorium on any new accounting standards or changes to existing accounting standards.

Q6. 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)?

Dell's Response:
We recommend that the Board permit early adoption but retain a single date requirement of adoption. The Board needs to provide a flexible approach that can be applied to all companies considering differences in industry, size of companies, volume of transactions, geography, etc. Early adoption gives companies the flexibility to sequence the adoption of standards and manage their unique complexity and circumstances. Lack of comparability can be overcome by providing disclosures in the financial reporting with appropriate analysis.

Q7. For which standards, if any, should the Board provide particular types of entities a delayed effective date? How long should such a delay be and to which entities should it apply? What would be the primary advantages and disadvantages of the delay to each class of stakeholders (financial statement preparers, financial statement users, and auditors)? Should companies eligible for a delayed effective date have the option of adopting the requirements as of an earlier date?

Dell's Response:
Since the changes suggested in the new standards will significantly impact the financial statements, we do not believe that certain entities should get an option of a delayed effective date. If this option is allowed, the financial statements will become non comparable and financial statement users will have to consider two sets of accounting standards for the same period.

Q8. Should the FASB and IASB require the same effective dates and transition methods for their comparable standards? Why or why not?

Dell's Response:
Since convergence of global accounting standards resulting in a single set of uniform high quality international accounting standards is the fundamental goal, we recommend the same effective dates and transition methods under FASB and IASB. This approach would promote the use of a single set of accounting standards and
increase comparability of reported financial information. Additionally, consistency is key for multinational companies with subsidiaries in various countries that have IASB and FASB reporting requirements. Therefore, the Board needs to consider and reconcile any existing differences in US GAAP and IFRS, including those differences in the Financial Instruments project. The SEC decision regarding the adoption of IFRS should be considered as well. Dual adoption (first the Board and then IFRS as part of SEC decision) would create uncertainty in the capital markets, result in significant cost to companies and potentially confuse investors. If these are ignored, we may run into situations where we are adopting and implementing multiple standards that could impact the same area multiple times. We see limited benefit to such an approach.

Q9. How does the Foundation’s ongoing evaluation of standards setting for private companies affect your views on the questions raised in this Discussion Paper?

Dell’s Response:
We believe the introduction of a separate set of accounting standards for private companies would reduce the comparability of financial statements. It will increase the complexity, time, and cost involved in merger and acquisition activities.