Friday, October 22, 2010

Leslie Seidman, Acting Chairman  
Financial Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
Norwalk, Connecticut 06856-5116

Sir David Tweedie, Chairman  
International Accounting Standards Board  
30 Cannon Street  
London EC4M6xh  
United Kingdom

Submitted via electronic mail to director@fasb.org

Re: File Reference: No. 1820-100, Exposure Draft: Revenue from Contracts with Customers

Dear Madam and Sir:

Accenture appreciates the opportunity to provide our views on the Proposed Accounting Standards Update, Revenue from Contracts with Customers (the “ED”). We are supportive of one revenue recognition model to be applied by all entities and believe that the Boards have done a fine job to develop a comprehensive standard. We are generally supportive of the model currently proposed. However, we are concerned about how certain provisions would be applied to our operations. We believe our suggestions for the model will better achieve the Boards’ objective to establish a standard that an entity should apply to report useful information to users of its financial statements about the amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. Our suggestions are explained in the following paragraphs.

Allocating Subsequent Changes in the Transaction Price

In our business, we enter into many complex multi-element contracts each year. Many of these multi-element contracts are long-term in nature spanning multiple years where one element may be delivered to the customer well in advance of other ongoing service elements. We do not regularly sell any one of our services bundled with others at
predetermined discounts. Each of our services contracts is unique, reflecting a customized mix of specific services that does not fit into standard price comparability measurements. The pricing for our arrangements also is dictated by local market conditions and the current competitive environment.

We currently account for these multi-element contracts under the Accounting Standards Codification ("ASC") Section 605-025, Multiple-Element Arrangements, and as such, allocate the transaction price of each arrangement to each element based on relative fair values. Under the ED, it appears that we would be precluded from segmenting our contracts if any significant discount is given and would therefore account for our multi-element arrangements as separate performance obligations in one contract. We do not believe that the provision of a discount is relevant to the fair value allocation of price among elements in our business.

The transaction price for the ongoing service elements may be transaction based and vary from initial estimates at contract inception. Additionally, due to the long-term nature of ongoing service elements, we often enter into scope modifications related specifically to the ongoing service element, which can change the transaction price. The ED’s requirement that after contract inception, any changes in the transaction price must be allocated to all performance obligations, even those elements completed in prior years, on the same basis as at contract inception will be extremely onerous and will not always reflect economic substance. For example, administration of an arrangement with variable pricing and frequent contract modifications on ongoing service elements could result in reallocations every accounting period. We believe that we can objectively determine which performance obligations a change in price refer to and believe that it would be more appropriate to allocate according to the contractual intent, unless it is not objectively clear what the intent was.

We acknowledge that the Boards rejected alternatives to allocate changes in the transaction price only to remaining performance obligations or only those performance obligations to which the uncertainty relates based on the belief that it would be inconsistent with the requirement to allocate the transaction price at contract inception to all performance obligations. However, we believe that allocating a change in the transaction price solely to be consistent with the initial allocation would not always reflect the economic substance of transactions. Additionally, it would often be inappropriate to allocate a change in transaction price that was specific to an ongoing service element to a performance obligation that may have been completed several years earlier.
We recognize that the current implementation guidance is fairly limited in scope and provides general, simplified guidance. We would expect that preparers would have the flexibility under the proposed model to apply the provided guidance to the pertinent facts and circumstances within their respective industries. We do not believe that discounts alone without taking into account other relevant factors are necessarily a good indicator that two elements have price interdependencies and should therefore ultimately result in transaction price reallocations between performance obligations. We recommend that the Boards provide further guidance on contract segmentation and how to allocate the transaction price to separate accounting contracts and to specific performance obligations.

**Probability-Weighted Method**

We do not believe that a probability-weighted average methodology would result in the most useful measure of either the transaction price or contract costs for onerous performance obligations. It is conceivable that a loss will occur in any of our contracts. Significant judgment will have to be applied to determine when a loss is possible and while it might be remote, we might be required to complete mathematical judgmental calculations to determine a loss in such cases. In fact, we update our estimates on each contract every reporting period. We believe that the use of management’s best estimate is the most meaningful measure of transaction price and costs for onerous performance obligations. This approach would allow for the exercise of appropriate management judgment, rather than estimating multiple outcomes and applying difficult to assess probabilities to those outcomes. Management is in the best position to make these judgments and by adopting a best estimate approach investors would benefit from management’s assessment of the expected consideration to be received or loss to be incurred.

**Disclosure**

We generally believe the majority of the disclosure requirements meet the Boards’ objective to help users of financial statements understand the amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. However, we do not believe that the requirements to disclose a reconciliation of contract balances, a reconciliation of onerous performance obligations, and the total amount of performance obligations along with the expected timing of their satisfaction for contracts with an original duration expected to exceed one year would provide significant enough information or benefit to the user to outweigh the onerous costs and administrative and systemic burden we would incur as a preparer.
We believe that the reconciliation of contract balances and onerous performance obligations are not necessary to meet the Boards’ disclosure objective to enable users to understand the magnitude, the potential timing, and uncertainty of revenues and cash flows arising from contracts with customers. We do not currently prepare or use business reconciliations of unbilled receivables, deferred revenues or onerous contract liabilities in the management of our business. For us, much of the information required to complete the reconciliations is tracked in multiple off-line repositories or systems. Aggregation of this information would require a significant administrative effort and significant cost to update systems to provide the necessary information. The proposed ED already requires substantive quantitative and qualitative disclosures. If the Boards decide in favor of requiring these disclosures, we request that such information not be required to be included in interim reports but on an annual basis only. In our view, requiring the tabular reconciliations in interim periods would not provide significant incremental benefits and would significantly increase the volume of disclosure and complexity of application. Moreover, due to the systemic issues that could arise in the process to compile this information and the tight timing for quarterly reporting, compliance with interim requirements would be particularly burdensome and would provide little, if any, incremental benefit to investors above existing interim disclosures in this area.

We also believe that the proposed requirement to disclose the total amount of performance obligations and the expected timing of their satisfaction for contracts with an original duration expected to exceed one year would not provide meaningful information to the financial statement user or add to the users understanding of the amount, timing, and uncertainty of revenues and cash flows. Due to many outside factors that could affect the amounts in the disclosure (such as currency fluctuations, contract amendments/cancellations, contracts with a duration under one year, etc.), we do not believe the disclosures would provide predictive value.

**Contract Costs**

We would appreciate further clarification as to how guidance provided to record an asset from fulfilling a contract interacts with currently published guidance in other topics. It would be helpful if the Boards provided specific guidance on cost capitalization in this standard, as we believe some of the other capitalization topics referenced in the ED were not written to specifically address costs incurred on a contract to service a single customer. For example, it would appear that software development costs would fall within the scope of ASC Section 350-40, *Internal-Use Software*, and International Accounting Standard 38, *Intangible Assets*. However, we do not believe these standards were written for, nor should apply to, specific one-time contract assets.
We appreciate the Boards' consideration of these comments. We look forward to participating in the round table session on November 4th. We are available to discuss matters at your convenience. Please contact Robert J. Kuehnau, Jr at +1.312.693.5465 or robert.j.kuehnau.jr@accenture.com with any questions.

Yours sincerely,

Accenture

[Signature]

Anthony G. Coughlan
Chief Accounting Officer

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