October 31, 2016

Mr. Russell Golden, Chairman  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

(Sent via e-mail to director@fasb.org)

Re: File Reference No. 2016-290

Dear Mr. Golden:

The International Business Machines Corporation (“IBM” or “the company”) appreciates the opportunity to comment on the Invitation to Comment (ITC): Agenda Consultation (the “proposed Agenda” or “ITC”), issued by the Financial Accounting Standards Board (“FASB”). We appreciate the efforts of the Financial Accounting Standards Board (the “Board”) to solicit feedback about the financial reporting issues that should be considered for addition to its agenda and the priority in which those issues should be addressed. We understand this is an important step for the FASB to allocate its limited resources to address a wide range of stakeholder concerns. However, we believe the important and necessary feedback needed from preparers and other stakeholders for a successful agenda setting process will be difficult to obtain at this time. Preparers and stakeholders are challenged by the need to allocate their limited resources to the implementation of the major projects recently completed by the FASB. The new standards on revenue, leasing, financial instruments, and credit losses, have far-reaching implementation impacts for preparers and their auditors. Although the Board has not established a Transition Resource Group for each of these new standards, we believe there will be a significant number of technical interpretations that will be required by the FASB and its staff during this process. Given this time of significant change, we recommend that at this time the focus on implementation of the recently completed major projects should be the highest priority.

We believe the feedback from those involved in implementation of major projects is critical to the agenda setting process. In order to align the efforts of preparers and stakeholders with the FASB’s efforts we agree that the Board should focus on the following areas, continue to analyze the potential solutions in the Invitation to Comment, while addressing major areas of financial reporting at a later date.

1. Monitor implementation of the recently completed major projects, address related practice issues timely, and educate stakeholders about the new guidance.
2. Complete critical projects currently on the agenda (for example, the Conceptual Framework, disclosure framework, hedge accounting, and insurance).
3. Complete narrow-scope projects currently on the agenda that are designed to reduce diversity in practice, reduce cost and complexity in financial reporting, and address other practice issues.
4. Address new stakeholder concerns as they arise.

We believe the overall standard setting process would benefit from the additional time the FASB and its staff can spend on further evaluating the possible options for the four proposed topics. The Board could improve on the proposed topics, or some subset, based on the initial feedback from this ITC.

Below is our ranking of the proposed agenda topics and our views on those topics raised in the ITC:

**Topic 3 – Distinguishing liabilities from equity** –  
While this project may not have a significant impact for us directly, the fact that this area is the number one area of restatements suggests that it should be a priority on the agenda.
**Topic 1 – Intangible Assets (including research and development)**

While we continue to believe that it is important to align with International Accounting Standards whenever feasible due to increased consistency in measurement and reporting, in this area we believe the benefits would not outweigh the cost. However, we do believe a simplification in this area would be warranted. The guidance is dated and should be more contemporary – many companies find themselves moving to an agile/continuous development model where the definition of technological feasibility becomes difficult to ascertain as products are released and developed almost concurrently. If this topic is added to the agenda, we also believe topics for consideration should include the amortization period, third party valuations and impairment. Developing consistency with assets acquired in a business combination should not be a prime objective in our view. If alignment with assets acquired in a business combination is pursued, it may be more useful to include this topic with goodwill impairment since changes in this area could impact the goodwill valuation.

**Topic 2 - Pension and other postretirement benefit plans**

Although defined benefit plans are no longer used by many companies, we would support a project that assesses the potential for convergence with International Accounting Standards 19 (IAS 19). In fact, exposing IAS 19 could be a quick path forward in this area. In the event convergence is not supported, small targeted simplifications should be the focus of this project, if there are any simplification ideas besides those already exposed by the FASB in the presentation change exposure draft.

**Topic 4 – Reporting performance and cash flows**

Many of the suggestions related to performance reporting have been considered and rejected before primarily due to cost / benefit analysis (for example, the cash flow direct method). The scope of the project is extremely broad with the potential to add significant costs for preparers with little benefit to investors. Due to the prominence of performance reporting, we believe if any project on this topic is added to the agenda, consideration should be given to a joint project with the International Accounting Standards Board.

Thank you for the opportunity to comment on the proposed Agenda. If you have any questions, please contact me at (914) 766-2477.

Sincerely,

Alison Yara  
VP, Acctg, Policy & Financial Reporting  
Internet address: ayara@us.ibm.com  
Route 100, Somers NY 10589  
Office SOM 2, 3D10  
Tieline 826-2477  
Outside Line 914-766-2477