July 2, 2015

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

Re: File Reference No. EITF-15B

Dear Technical Director:

Starbucks Coffee Company ("Starbucks") appreciates the opportunity to comment on the proposed Accounting Standards Update, Liabilities-Extinguishments of Liabilities (Subtopic 405-20) Recognition of Breakage for Certain Prepaid Stored-Value Cards (the "proposed ASU"). We commend the Board’s efforts in providing clarity on the recognition of breakage for prepaid stored-value cards without expiration dates that are redeemable for goods and services at third-party merchants. As currently written, we are concerned the scope is overly broad and includes cards redeemable for goods and services at both affiliated and unaffiliated third-party merchants. Our concerns are concentrated on the inclusion of affiliated third-party merchants and, by extension, the proposed timing of adoption being different than ASU 2014-09 Revenue from Contracts with Customers (Topic 606).

More specifically, the proposed ASU seems to scope in stored-value cards sold by companies, such as Starbucks, that are redeemable for goods and services at their affiliated third-party franchised locations, which typically receive cash settlement for the redemption. For Starbucks, these cards are also redeemable in part or in full at our company-owned locations, which are not within the scope of the proposed ASU but are in scope of Topic 606. Our deferred stored-value card liability is indistinguishable between company-owned and franchised locations, and like some other companies, we have already selected an accounting policy to recognize breakage using the remote method. The proposed ASU requires the proportionate method for recognizing breakage, which is in line with Topic 606; however, the timing of adoption of the proposed ASU is not currently aligned
with Topic 606 and therefore further complicates our ability to (1) attempt to bifurcate breakage for affiliated third-party franchised locations as well as (2) apply a different breakage method for a portion of our deferred stored-value card liability until Topic 606 is adopted.

We believe the intention of this proposed ASU is to provide guidance for companies that sell prepaid stored-value cards that are redeemable for goods and services solely at unaffiliated third-party merchants, as the liability can only be extinguished through direct settlement with the third-party merchants that provided the goods or services to the consumers.

In contrast, when Starbucks and companies with similar prepaid stored-value card programs sell a prepaid stored-value card that is redeemable (in part or in full) for goods and services at both its company-owned and affiliated third-party franchised locations, the related liability to the consumer will either be extinguished immediately upon redemption for goods and services at a company-owned store, or upon subsequent cash settlement with the franchisee that has accepted the redemption. While Starbucks cash settles with all affiliated third-party franchised locations upon customer redemption, breakage on all unredeemed card balances will be recognized by us. Therefore, we believe it is appropriate to recognize all breakage under a single accounting model, whether it is the proportional method under Topic 606 or another currently acceptable method until the implementation of Topic 606. Moreover, the estimated breakage of our stored-value card liability cannot be bifurcated with any accuracy between company-owned and affiliated third-party franchised locations to adopt this proposed ASU.

If the effective date of the proposed ASU is not aligned with Topic 606, companies currently not applying the proportional method will likely have to bifurcate their portfolio of outstanding prepaid stored-value cards and potentially apply two accounting models for a period of time for recognizing breakage. As stated in Topic 606, early adoption is not permitted. We believe this outcome will introduce unnecessary complexities and reduce comparability of financial results.

We recommend that the Board clarify the scope of the proposed ASU by excluding prepaid stored-value cards that are redeemable for goods and services at affiliated third-party franchised locations. Absent a scope clarification, we would recommend alignment of the effective dates of the proposed ASU and Topic 606 to avoid the unintended consequence of introducing further complexities for companies that are already recognizing breakage income in accordance with one of the other currently acceptable methods.

Our responses to the discussion questions raised in the proposed ASU are attached. Again, we want to thank the Board for the opportunity of this dialogue
and its consideration of our comments. I will be happy to discuss further if you would find it helpful.

Sincerely,

Jill Walker
vice president and controller
Starbucks Coffee Company
Attachment

Question 1: Should the scope of the proposed amendments be limited to prepaid stored-value card liabilities resulting from the sale of cards with the characteristics specified in this proposed Update? If not, what other liabilities should be included in the scope of this proposed Update?

Response: We believe the scope of the proposed amendment should be further limited to exclude prepaid stored-value cards that are redeemable at both company-owned and franchised locations.

We are concerned that since the proposed ASU does not provide a clear definition of a third-party merchant, it may be interpreted to include stored-value cards redeemable at franchised locations (even though the cards are also redeemable at company-owned locations). Furthermore, if the effective date of the proposed ASU is not aligned with Topic 606, companies currently not applying the proportional method will likely have to bifurcate their portfolio of outstanding prepaid stored-value cards and potentially apply two accounting models for recognizing breakage for a period of time. We believe this outcome will introduce unnecessary complexities and reduce comparability of financial results.

Therefore, we strongly recommend that the Board clarify the scope of the proposed ASU by excluding prepaid stored-value cards that are redeemable for goods and services at companies' affiliated third-party franchised locations. Absent a scope clarification, we recommend the Board align the effective date of the proposed ASU and Topic 606 to avoid the unintended consequence of introducing further complexities for companies that are already recognizing breakage income through application of something other than proportional method.

Question 2: If an entity expects to be entitled to a breakage amount, should a prepaid stored-value card liability within the scope of the proposed amendments be derecognized in proportion to the pattern of rights expected to be exercised by the card holder only to the extent that it is probable that a significant reversal of the recognized breakage amount will not subsequently occur? If an entity does not expect to be entitled to a breakage amount, should the liability be derecognized when the likelihood of the customer exercising its remaining rights becomes remote? If not, what breakage model would be appropriate?

Response: We agree that prepaid stored-value card liabilities within the scope of the proposed amendments should be derecognized consistent with ASC 606-10-55-48 (Revenue from Contracts with Customers, Overall-Implementation-Customer's Unexercised Rights). However, we believe the Board should avoid the complexities and comparability issues that may arise for companies that sell prepaid stored-value cards that are redeemable for goods and services at both
their company-owned and their franchised locations by either narrowing the scope of the proposed ASU as discussed earlier.

Question 3: Should an entity be required to provide the disclosures specified in this proposed Update? Should any other disclosures be required? If yes, please explain what disclosures should be provided.

Response: We agree that an entity should be required to provide the disclosures specified in this proposed ASU.

Question 4: Should the proposed amendments be applied using a modified retrospective transition method (requiring a cumulative-effect adjustment as of the beginning of the annual period in which the guidance is effective)? If not, please explain why.

Response: The proposed amendments should be applied consistent with ASU 2014-09 Revenue from Contracts with Customers (Topic 606) which allows full or modified retrospective transitions methods.

Question 5: How much time would be needed to implement the proposed amendments? Should early adoption be permitted?

Response: We recommend implementation of the proposed amendments to be aligned with the effective date of ASU 2014-09, Revenue from Contracts with Customers (Topic 606) to avoid comparability issues if the scope of the proposed ASU is not narrowed to exclude stored-value cards that are redeemable at both company-owned and franchised locations.

Question 6: Do entities other than public business entities (that is, private companies and not-for-profit entities) need additional time to apply the proposed amendments? Why or why not?

Response: Not applicable to Starbucks.