March 28, 2016

Sent via e-mail: director@fasb.org

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

Re: File Reference No. EITF-15F

AT&T, Inc. is pleased to respond to the FASB Emerging Issues Task Force consensus exposure draft on the Classification of Certain Cash Receipts and Cash Payments. The proposed standard is of interest to us as a leading provider of communications and digital entertainment services operating in the United States and around the world.

We understand and support the goal to reduce the existing diversity in practice for cash flow classification and to clarify the use of the predominance principle. We agree with the proposed classification of six of the seven transactions covered by the exposure draft, however, we believe the classification of cash flows from beneficial interests in securitization transactions needs to be considered further. In addition, while we agree with the proposed classification of contingent consideration payments made after a business combination, we believe any final standard would benefit from further clarification of when “soon after the business combination” begins.

We securitize a significant amount of our equipment installment sales receivables for cash and a right to a deferred purchase price that is subject to ultimate collections from our customers. We believe that our receipt of cash in those securitizations should be reflected in the same manner as cash flows from the customer receivables. The exposure draft notes a potential lack of symmetry between sales and operating cash flow by recording beneficial interests as financing cash flows. There is also another lack of symmetry not mentioned between the proposed classification and ASC 230-10-45-16 which specifically states that cash receipts from the “sale of accounts and both short and long-term notes receivable” should be classified as operating activities. By requiring the cash flows from the beneficial interest to be treated as investing activities, this new standard will require the cash flows from the securitization of accounts and notes receivable to be split between operating and investing cash flows which seems to contradict the spirit, if not the letter of ASC 230-10-45-16. We recommend an approach that would classify the cash flows from beneficial interests based on the way the cash flows from the initial securitization were classified. This would eliminate the diversity in practice while keeping the classification of all of the cash flows from the securitization transactions, including cash flows from the beneficial interest, consistent.

While we agree with the concept that contingent payments in a business combination which are not made soon after the associated transaction should be reflected as a financing activity, we believe the standard should define when “soon after the business combination occurred” begins. Preparers and auditors could interpret that “soon after the business combination occurs” to begin either at the acquisition date or at the conclusion of the measurement period once the recorded amount of contingent consideration is final.
We appreciate the opportunity to comment on the proposed changes. If you have any questions concerning our comments, please contact Bill Schneider (214) 757-3215.

Respectfully,

[Signature]

Debbie Dial
Senior Vice-President & Controller