December 22, 2016

Ms. Susan M. Cosper
Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

File Reference No. EITF-16C

Dear Ms. Cosper:

RSM US LLP appreciates the opportunity to comment on the Proposed Accounting Standards Update, Service Concession Arrangements (Topic 853) – Determining the Customer of the Operation Services (the “proposed Update”). Overall, we are supportive of the Board’s efforts to reduce diversity in practice in how the customer of the operation services for transactions within the scope of Topic 853 is identified by an operating entity and generally agree with the changes included in the proposed Update. Provided below for your consideration are our responses to the “Questions for Respondents” on which specific comment was requested.

Responses to Questions for Respondents

Question 1: Do you agree that the customer of the operation services is the grantor in all cases for service concession arrangements within the scope of Topic 853? Please explain why or why not. If you disagree, please provide any examples of transactions within the scope of Topic 853 for which the customer of the operation services would not be the grantor.

We agree that the customer of the operation services is the grantor in all cases for service concession arrangements within the scope of Topic 853 as the grantor is the only counterparty in the arrangement with the operating entity and has the ability to modify or approve the services the operating entity must provide with the infrastructure, to whom it must provide them, and at what price (consistent with paragraph BC7 of the proposed Update). However, it is unclear to us whether it would be appropriate to consider similar guidance by analogy when determining the customer of the operation services in arrangements similar to those within the scope of Topic 853. For example, if an arrangement were outside the scope of Topic 853 solely due to the grantor not controlling any residual interest in the infrastructure at the end of the term of the arrangements (i.e., not meeting condition b. of ASC 853-10-15-3), should this guidance on determining the customer also be considered? We believe it would be helpful to address this in the Basis for Conclusions or as part of another project.
Question 2: The Board decided not to require that operating entities provide disclosures, in addition to the existing GAAP disclosures, about how they determine the customer of the operation services. Are the disclosures required by Topic 606 sufficient for these types of arrangements? If not, please suggest other disclosures that would provide useful information.

We agree that the disclosures required by Topic 606 are sufficient for these types of arrangements.

Question 3: Do you agree with the proposed effective date and the proposed transition requirements in paragraph 853-10-65-2 for entities that will not early adopt Topic 606? Should adoption of the proposed amendments be permitted before an entity’s adoption of Topic 606? Please explain why or why not.

We agree with the proposed effective date and transition requirements for entities that will not early adopt Topic 606. We believe adoption of the proposed amendments should be permitted before an entity’s adoption of Topic 606 given there is diversity in practice today prior to the adoption of Topic 606, and this guidance would help reduce that diversity.

Question 4: Do you agree with the proposed transition method and the proposed transition disclosures in paragraph 853-10-65-2 for entities that elect to early adopt Topic 606 before the finalization of the proposed amendments? Please explain why or why not.

We agree with proposed transition method and transition disclosures for entities that elect to early adopt Topic 606 before the finalization of the proposed amendments. However, we encourage the Board to finalize the proposed amendments as soon as possible and require adoption of this guidance (once finalized) no later than the date an entity adopts Topic 606.

Question 5: How much time would be needed to implement the proposed amendments for an entity that early adopts Topic 606 before the finalization of the proposed amendments? Should the proposed amendments be effective immediately upon issuance for such entities? Please explain your reasoning.

We don’t believe a significant amount of time would be needed for implementation. Furthermore, as noted in our response to Question 4, we believe adoption of this guidance should be required no later than the date an entity adopts Topic 606. As a result, we believe this guidance should be effective immediately for entities that early adopt Topic 606 in 2017.

We appreciate this opportunity to provide feedback on the proposed Update and would be pleased to respond to any questions the Board or its staff may have concerning our comments. Please direct any questions to Rick Day (563.888.4017) or Brian H. Marshall (203.905.5014).

Sincerely,

RSM US LLP

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