April 30, 2018

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

Delivered Electronically (director@fasb.org)

Re: File Reference No. 2018-230

Dear Technical Director:

Global Payments Inc. (the “Company”) appreciates the opportunity to provide input on the proposed Accounting Standards Update Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract; Disclosures for Implementation Costs Incurred for Internal-Use Software and Cloud Computing Arrangements (a consensus of the FASB Emerging Issues Task Force) (“Exposure Draft”), issued by the Financial Accounting Standards Board (“FASB” or the “Board”).

The Company is a leading worldwide provider of payment technology services, delivering innovative solutions to our customers globally. Our technologies and employee expertise enable us to provide a broad range of services that allow our customers to accept various payment types. We distribute our services across a variety of channels to customers in 30 countries throughout North America, Europe, the Asia-Pacific region and Brazil and operate in three reportable segments: North America, Europe and Asia-Pacific.

We support the FASB’s efforts to provide additional guidance on the accounting for implementation costs incurred in a cloud computing arrangement that is considered a service contract. Overall, we are supportive of the Exposure Draft, and we believe the proposed guidance will help address current diversity in practice. However, we do not think the additional disclosure requirements in the proposed amendment are necessary.

We respectfully provide feedback on the specific questions for which the FASB has requested input below.

Feedback on Questions for Respondents

**Question 1:** Should eligible implementation costs of a hosting arrangement that is a service contract be capitalized using the guidance on internal-use software, recognized in profit or loss over the term of the hosting arrangement as defined in this proposed Update, and presented in the same line item in the statement of income as the fee associated with the hosting arrangement? If not, what accounting is more appropriate and why?
Response:

We agree that the eligible implementation costs of a hosting arrangement that is a service contract should be capitalized using the existing guidance on internal-use software and that such capitalized costs should be recognized as an expense over the term of the hosting arrangement with such expense presented in the same line item in the statement of income as the fees associated with the hosting arrangement. We agree that it is a practical and appropriate solution to this particular type of transaction.

In addition, we agree with the discussion within Basis for Conclusion paragraph 7 that implementation costs incurred in a hosting arrangement that is a service may indicate a future benefit or enhance the right to receive the related service. The upfront investment associated with hosting arrangements suggests that such implementation costs are providing future benefit through the right to access and use a vendor's software over a period of time; therefore, such costs could be capitalized as an asset. However, we do not believe that the Basis of Conclusion in the final accounting standards update should indicate that the characteristics of hosting arrangements that are service contracts are “unique,” as there may be other service arrangements (outside the scope of this guidance) that contain an element that derives future benefit. This was acknowledged through Basis for Conclusion paragraph 8, which makes reference to contract-related assets, such as costs to fulfill customer contracts, which generate or enhance resources of the entity. We believe the point of paragraph 7 is not dependent upon the word “unique.”

With regards to the application of this principle, however, we noted one item for which we respectfully suggest further consideration be given. In the proposed guidance on determining the term per paragraph 35-12 of Subtopic 350-40, we do not follow the logic of subparagraph e to add to the fixed noncancelable term “the periods covered by an option to extend (or not to terminate) the hosting arrangement in which exercise of the option is controlled by the vendor.” If this period were included in the term and the vendor chooses not to exercise the option, at the end of the noncancelable term the unamortized costs would need to be written off. We believe the entity should control the option for the related period to be included in the term.

Question 2: This proposed Update includes an amendment to the definition of hosting arrangement in the Master Glossary. Do you agree with the amendment, and do you have any other concerns with the definition, as amended?

Response:

We do not have an issue with the revised definition.

Question 3: Is additional guidance needed to determine whether the amendments in this proposed Update apply to arrangements that include a minor hosting arrangement?

Response:

We do not have a view on this question.
Question 4: Can the guidance for determining the project stage (that is, preliminary project stage, application development stage, or postimplementation stage) in Subtopic 350-40 be consistently applied to a hosting arrangement? Why or why not?

Response:

We believe that the guidance referenced can be consistently applied to hosting arrangements.

Question 5: Should an entity apply an impairment model to implementation costs of a hosting arrangement that is a service contract that is different from the impairment model included in Subtopic 350-40? Why or why not?

Response:

We believe the impairment model in Subtopic 350-40 is adequate for application to implementation costs of a hosting arrangement that is a service contract.

Question 6: Do you agree with the disclosures included in the proposed amendments? If not, what additional disclosures do you recommend, or what disclosures should be removed and why?

Response:

We believe the current disclosures for internal-use software have been and continue to be adequate and provide sufficient information for the users of the financial statements. We believe these existing disclosures should be required for implementation costs incurred in a hosting arrangement that is a service contract. We believe the proposed additional disclosures required for both the implementation costs incurred in a hosting arrangement that is a service contract and for internal-use software are not necessary.

Question 7: Should the disclosures included in the proposed amendments be applied to internal-use software and hosting arrangements that include a software license? Why or why not?

Response:

See response to Question 6.

Question 8: Should an entity be permitted to elect prospective transition or retrospective transition? If not, please explain what transition method should be required and why. If an entity elects prospective transition, should the entity apply the transition requirements to each hosting arrangement, each module or component within a hosting arrangement, or costs of the hosting arrangement?

Response:

We believe that an entity should be permitted to elect prospective transition or retrospective transition. Furthermore, we believe that if an entity elects prospective transition, the entity should be permitted to elect the level at which to apply the transition requirements.
Question 9: Should an entity be required to provide the transition disclosures specified in the proposed amendments? If not, please explain what transition disclosures should be required and why.

Response:

We are not aware of any issue with the proposed transition disclosure requirements.

Question 10: How much time would be needed to implement the proposed amendments? Should early adoption be permitted? Do entities other than public business entities need additional time to apply the proposed amendments? Why or why not?

Response:

We believe that the period between the date of issuance and the required effective date of the new Accounting Standards Update should be no less than twelve months. We also believe that early adoption should be permitted.

Question 11: Should the proposed amendments be more broadly applied to similar transactions beyond hosting arrangements or be limited to transactions based on the scope of the proposed amendments? If more broadly applied, what transactions are similar to those included in the scope of the proposed amendments?

Response:

We do not necessarily see the need to apply these provisions more broadly to other transactions. However, we believe the guidance for assets in Concepts Statement Number 6 is adequate to support the determination of whether or not costs should be capitalized for similar transactions. We believe the final Accounting Standards Update should be silent with regards to application to other transactions.

Thank you for the opportunity to comment on the Exposure Draft. If you have any questions, please contact me at (770) 829-8030 or David.Sheffield@globalpay.com.

Respectfully submitted,

David M. Sheffield
Senior Vice President and Chief Accounting Officer