FedEx Corporation has reviewed the Financial Accounting Standards Board ("the Board") Exposure Draft dated March 1, 2018, and we appreciate the opportunity to comment on the proposal.

FedEx Corporation is a global company that provides customers and businesses worldwide with a broad portfolio of transportation, e-commerce and business services. Our annual revenues total approximately $65 billion; we have more than 425,000 team members; and we serve customers in more than 220 countries and territories. Our financial statements are prepared under U.S. GAAP and filed with the Securities and Exchange Commission, and our common stock is listed on the New York Stock Exchange.

We support the Board in aligning the guidance on recognizing implementation costs incurred in a hosting arrangement that is a service contract with those for implementation costs incurred in an arrangement that includes internal-use software license(s) outlined in the Exposure Draft. We acknowledge that this guidance does not change the accounting for the fees associated with the preliminary project and post-implementation stages to be expensed as activities are performed.
Capitalization

We support the use of Accounting Standards Codification ("ASC") 350-40 to determine the recognition of a customer’s implementation costs in a hosting arrangement that is a service contract in the same manner as the guidance for internal-use software. The implementation costs associated with cloud computing arrangements can be significant and often exceed the annual fees associated with the arrangement.

While there is not an asset recognized on the balance sheet for the software that is being implemented, we believe that an ongoing benefit is received from certain implementation costs related to the service agreements (the same costs that would be capitalized in connection with developing internal-use software). We believe these costs should be recognized as an intangible asset and amortized over the period of benefit, not to exceed the term of the service contract.

Amortization Period and Impairment Considerations

Hosting arrangements under service contracts often have individually negotiated service terms, including varying contract extensions. Therefore, the contract term may not be representative of the period of benefit for the related implementation costs. As a result, we believe additional guidance should be provided around the amortization period. For example, we do not believe the amortization period should exceed that over which the entity typically amortizes internally developed software costs of a similar nature.

We believe that implementation guidance should be added to the additional considerations identified in proposed paragraph 350-40-35-14 as they relate to determining the term of the hosting arrangement for purposes of setting an amortization period. We also support the proposed guidance in paragraph 350-40-35-15 ensuring that implementation cost amortization begins in conjunction with the timing of when a specific module or component of a hosting arrangement is completed.

Transition

When adopting changes in accounting standards, we believe the Board should differentiate standards between those which are “core principle” changes and other less significant changes. We believe that less significant changes (such as those outlined in the Exposure Draft for Customer’s accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract) should be applied prospectively. In cases of prospective application, we believe enhanced disclosures describing the nature of the change and the impact on the current period financial statements will be more useful to users of the financial statements and recasting prior periods does not meet the cost-benefit test.

We appreciate the opportunity to comment on these proposed rule changes and thank you for your consideration of our comments. If you have any questions, please contact Jennifer L. Johnson at 901-818-7828.
Sincerely,

John L. Merino  
Corporate Vice President  
and Principal Accounting Officer

Jennifer L. Johnson  
Staff Vice President  
and Corporate Controller