April 30, 2019

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

Delivered Electronically to director@fasb.org

Re: File Reference Nos. 2019-200 and 2019-300

Dear Technical Director:

Global Payments Inc. (the “Company”) appreciates the opportunity to provide input on the proposed Accounting Standards Update, Business Combinations (Topic 805): Revenue from Contracts with Customers – Recognizing an Assumed Liability (a consensus of the FASB Emerging Issues Task Force (“Exposure Draft”), and the related the Invitation to Comment, Measurement and other Topics Related to Revenue Contracts with Customers under Topic 805, (“Invitation to Comment”), each issued by the Financial Accounting Standards Board (“FASB” or the “Board”).

The Company is a leading worldwide provider of payment technology and software services delivering innovative solutions to our customers globally. Our technologies, services and employee expertise enable us to provide a broad range of solutions that allow our customers to accept various payment types and operate their businesses more efficiently. We distribute our services across a variety of channels to customers in 32 countries throughout North America, Europe, the Asia-Pacific region and Brazil.

We support the FASB’s efforts to address the diversity in views about the circumstances in which an entity should recognize a contract liability from a contract with a customer within the scope of Topic 606, Revenue from Contracts with Customers (“ASC 606”), that is acquired in a business combination.

We generally support the proposed Exposure Draft. However, we respectfully provide feedback on the specific questions for which the FASB has requested input. In addition, we have provided feedback on the related Invitation to Comment. Our comments are presented below.

Feedback on Questions for Respondents

Question 1: Should entities be required to recognize a contract liability from a revenue contract with a customer acquired in a business combination using the definition of a performance obligation in Topic 606? If no, please explain why and what recognition criteria are more important.

Response:

We agree that entities should be required to recognize a contract liability from a revenue contract with a customer acquired in a business combination using the definition of a performance obligation.
obligation in ASC 606. We believe this is preferable to recognizing only contract liabilities that represent legal obligations.

**Question 2:** Is the recognition that would be required by the amendments in the proposed Update operable? If not, please explain why.

**Response:**

We believe that the determination of whether or not the recognition is operable is dependent on the conclusions regarding guidance on measurement discussed in the Invitation to Comment. Please see our response to Question 7.

**Question 3:** Would the proposed amendments result in financial reporting outcomes that are appropriate and meaningful to users of the financial statements? If not, please explain why.

**Response:**

We believe that the determination of whether or not the amendments result in financial reporting outcomes that are appropriate and meaningful to users of the financial statements is dependent on the conclusions regarding guidance on measurement discussed in the Invitation to Comment. Please see our response to Question 7.

**Question 4:** Should the proposed amendments be more broadly applied to similar transactions beyond contracts with customers, such as contracts within the scope of Subtopic 610-20, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets? If yes, please provide examples of potentially affected transactions.

**Response:**

We do not have a view on this question.

**Question 5:** The proposed amendments require no incremental disclosures. Should disclosures related to the proposed amendments or transition disclosures be required? If yes, please explain why and provide the additional disclosures that should be required.

**Response:**

We believe that no additional disclosures should be required.

**Question 6:** Do you agree with the proposed prospective transition requirement? If not, what transition method would be more appropriate and why? How much time would be needed to implement the proposed amendments? Should early adoption be permitted? Should entities other than public business entities be provided with an additional year to implement the proposed amendments? Why or why not?
Response:

We agree with the proposed prospective transition requirement. 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 believe that early adoption should be permitted.

Question 7: What would be the implications, if any, of finalizing the proposed amendments on the recognition of a contract liability from a revenue contract with a customer acquired in a business combination without finalizing amendments on measurement and other topics that may result from feedback received as part of the concurrently issued Invitation to Comment?

Response:

If the Board plans to issue guidance on measurement of the contract liabilities, we believe it would be appropriate to issue the guidance on recognition and measurement at the same time. We believe the existing guidance in ASC 820, *Fair Value Measurements*, is adequate and current practice of permitting payment terms to affect the subsequent amount of revenue by the acquirer in a business combination is acceptable. Combining the historical cost model of accounting with the fair value model of ASC 805 creates misalignment in reported revenue for a period of time. Limiting that to contract liabilities as of the acquisition date is a practical solution that has worked in practice for years.

If the Board decides that measurement guidance is necessary, we provide the following observations:

We believe that the Board should allow either approach presented in the Invitation to Comment as a policy election. If the Board believes that consistency is required, we believe that the prescribed treatment should permit payment terms to affect the subsequent amount of revenue recognized by the acquirer in a business combination with specified guidelines. Our views on the two alternatives are presented below:

Preferred Alternative - Payment terms are permitted to affect the subsequent amount of revenue recognized by the acquirer in a business combination:

- This alternative would be consistent with common practice today.
- This alternative would be easier to apply in practice. Only those contracts with contract liabilities would need to be reviewed for this purpose, and only those contract liabilities would affect the subsequent amount of revenue recognized. The remaining performance obligations would follow the guidelines of ASC 606 for measurement subsequent to the acquisition date. The outcomes under this Preferred Alternative would be consistent with Outcomes 1A, 2A, 3A and 4A included in Chapter 1 - Payment Terms and Their Effect on the Subsequent Revenue Recognized - of the Invitation to Comment.
- The order or production backlog, excluding items for which an amount is recognized as a contract liability, would be measured at fair value as it is under current guidance and...
recognized as an intangible asset. The determination could be performed at a portfolio level. Amortization of this intangible asset would be reflected as amortization expense.

- We believe that the guidance contained in ASC 606 should result in no changes to the measurement of contract liabilities in a business combination.
- The guidance contained in ASC 820 has been adequate to measure such liabilities at fair value for quite some time.

Less Preferable Alternative – Payment terms should not affect the subsequent amount of revenue recognized by the acquirer in a business combination:

- While there is some theoretical basis for the view that the timing of payments should not affect the subsequent amount of revenue recognized by the acquirer, for many financial statement preparers this would be very difficult to operationalize.
- There are a number of practical considerations with making this alternative operational. Specifically, it would require a contract-by-contact analysis, whereas the Preferred Alternative would be operational at a portfolio level.
- We believe the outcome achieved by applying this theoretical alternative does not necessarily result in financial information that is useful to the financial statement users. Interjecting the fair value concept of ASC 805 into the subsequent financial statements on a historical cost basis already provides complexity that users of the financial statements are challenged to comprehend. Expanding that practice to further reduce revenue for any customer contract in the backlog would magnify the effect for simply a theoretical objective. Fair value adjustments to contract liabilities in a business combination result in an increase to revenue in subsequent years when the amortization of the fair value adjustment concludes, and this period-over-period increase to revenue is simply a result of this accounting practice, not by the economics of the business. Many entities today provide Non-GAAP measures to reflect revenue adjusted to eliminate the effect of the fair value adjustments to contract liabilities. Expanding the effect of fair value adjustments on the subsequent amount of revenue recognized for all performance obligations in a production or order backlog would likely expand the number of entities presenting such Non-GAAP measures and the magnitude of adjustments to arrive at those measures.

If the Board decides to finalize the proposed amendments on the recognition of a contract liability from a revenue contract with a customer acquired in a business combination without finalizing amendments on measurement and subsequently issue guidance on measurement, we believe there are several negative implications. Without the measurement guidance and knowing it is still an open question, practitioners will be required to develop their own positions on measurement, support those positions with their auditors and develop and execute implementation plans. Without a conclusion on the questions on measurement presented in the Invitation to Comment, it potentially pits preparers and auditors in debates over the appropriate treatment, since each treatment has theoretical merit. Furthermore, if measurement guidance subsequently issued differs from the position taken by a preparer, a new implementation plan would be required to be
developed and executed. We do not believe this would lead to decision usefulness of the financial statements. We also do not believe the costs would outweigh the benefits.

Therefore, we recommend that no prescriptive measurement guidance be provided and that current practices on measurement should be viewed as acceptable.

Thank you for the opportunity to comment on the Exposure Draft and the Invitation to Comment. 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