Ms. Susan M. Cosper  
Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
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4 October 2016

Proposed Accounting Standards Update, Technical Corrections and Improvements to Update No. 2014-09, Revenue from Contracts with Customers (Topic 606), Additional Corrections (File Reference No. 2016-320)

Dear Ms. Cosper:

We appreciate the opportunity to comment on the Proposed Accounting Standards Update (ASU), Technical Corrections and Improvements to Update No. 2014-09, Revenue from Contracts with Customers (Topic 606), Additional Corrections (the Proposal), from the Financial Accounting Standards Board (FASB or Board).

We support the FASB's objective to address additional feedback received from stakeholders on the Accounting Standards Codification (ASC or Codification) prior to the adoption of the new revenue standard by companies applying US GAAP. We believe the proposed amendments would address the additional concerns raised by constituents about the new revenue standard and related consequential amendments to the Codification, provide more clarity and improve consistency in application.

We continue to support the convergence of the new revenue guidance in US GAAP and IFRS when possible. However, because the Proposal would create differences between the standards with respect to two examples, we believe it would be helpful for the FASB to include in this ASU a section titled “How Do the Provisions Compare with International Financial Reporting Standards (IFRS)?,” as it has done when it issued other amendments to the new guidance.

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Our responses to questions in the Proposal are set out in the appendix to this letter.

We would be pleased to discuss our comments with the Board or its staff at your convenience.

Very truly yours,

[Signature]

cc: International Accounting Standards Board
Appendix — Responses to questions raised in the Proposed ASU

**Question 1:** The proposed amendments are intended to improve the clarity of the scope of Topic 606 for guarantees (other than product or service warranties) that are within the scope of Topic 460, Guarantees. Would the proposed amendments clarify the scope of the guidance? If not, please explain why and suggest alternatives.

We believe the proposed amendments would improve the clarity of the scope of ASC 606 for guarantees within the scope of ASC 460.

**Question 2:** The proposed amendments are intended to provide a better link between Example 38, Case B in Topic 606 and the presentation guidance in paragraphs 606-10-45-2 through 45-4. Would the proposed amendments better align the example with the guidance? If not, please explain why and suggest alternatives.

We believe the proposed amendments would more closely align the analysis in Example 38, Case B, with the receivables presentation guidance.

**Question 3:** The proposed amendments are intended to improve the clarity of Example 40 in Topic 606 by removing the term *contract liability* from the journal entry in the example. Would the proposed amendments improve the clarity of the example? If not, please explain why and suggest alternatives.

We believe the proposed amendments would improve the clarity of Example 40. Paragraph 9 of the Background Information and Basis for Conclusions of the Proposal states that an entity should determine whether a refund liability should be characterized as a contract liability on the basis of the facts and circumstances of the arrangement. However, paragraph 606-10-32-10 may still suggest that a refund liability is always considered a contract liability. We recommend that the FASB also amend paragraph 606-10-32-10 as follows (deleted text is struck out):

> “An entity shall recognize a refund liability if the entity receives consideration from a customer and expects to refund some or all of that consideration to the customer. A refund liability is measured at the amount of consideration received (or receivable) for which the entity does not expect to be entitled (that is, amounts not included in the transaction price). The refund liability (and corresponding change in the transaction price and, therefore, the contract liability) shall be updated at the end of each reporting period for changes in circumstances. To account for a refund liability relating to a sale with a right of return, an entity shall apply the guidance in paragraphs 606-10-55-22 through 55-29.”

Paragraph 9 of the Basis for Conclusions also states that “stakeholders have concerns that the characterization of a refund liability as a contract liability might have implications on accounting for foreign currency translation.” We believe that the characterization of a refund liability as a contract liability would have implications for the remeasurement of financial statement amounts denominated in another currency into the functional currency of the reporting entity (rather than the translation of
the entity’s financial statements to the reporting currency of the parent entity, which occurs after remeasurement). We recommend that the FASB amend the third sentence of paragraph BC9 in the Basis for Conclusions of the Proposal as follows (proposed text is underlined, and deleted text is struck out):

“Stakeholders have concerns that the characterization of a refund liability as a contract liability might have implications on accounting for foreign currency translation remeasurement (for example, whether a refund liability is considered a monetary or nonmonetary item for the purpose of determining which foreign currency exchange rate to use for translation remeasurement).”

Question 4: The proposed amendments would reinstate the guidance on accrual of advertising costs that was previously included in paragraph 340-20-25-2. Do the proposed amendments improve the clarity of the accounting? If not, please explain why and suggest alternatives.

We believe that retaining today’s guidance would improve the clarity of the accounting for the accrual of advertising costs. However, since the guidance may be applied to arrangements other than cooperative advertising, we recommend amending paragraph 720-35-25-1A (previously included in paragraph 340-20-25-2) as follows (proposed text is underlined, and deleted text is struck out) to avoid implying that a certain revenue treatment is required:

“Expenditures for some advertising costs are made after recognizing revenues related to those costs. For example, some entities assume an obligation to reimburse their customers for some or all of the customers’ advertising costs (cooperative advertising). Generally, revenues related to the transactions creating those obligations are recognized before the expenditures are made. For purposes of applying the guidance in this Subtopic, those obligations shall be accrued and the advertising costs expensed when the related revenues are recognized.”