Ford Motor Company

Technical Director -- File Reference No. 2015-250
Financial Accounting Standards Board
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File Reference: Comments on Exposure Draft, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing

Ford Motor Company ("Ford"), a global automotive industry leader based in Dearborn, Michigan, manufactures or distributes automobiles across six continents. We have over $135 billion of automotive revenue.

We support the proposed update to Topic 606 – Revenue from Contracts with Customers, issued May 12, 2015. We appreciate the Board’s response to preparers’ requests by explicitly addressing the concept of materiality as it relates to promised goods or services within the context of a contract. Providing the preparer with the ability to assess materiality at a contract level will reduce the amount of irrelevant information provided in the financial statements as well as the consequential confusion or distraction for the users. As a result, it will also reduce the complexity for preparers and associated costs.

Consistent with the proposed guidance regarding the materiality of promises of goods and services in the contract, we urge the Board to provide further clarification to Example 12 – Explicit and Implicit Promises in a Contract. As amended, the example could be interpreted to mean that the promise to provide any free maintenance service is material in the context of the contract. In this example, we recommend that the Board clarify that the entity has completed a materiality assessment and determined that the promise to provide maintenance services is material in the context of the contract. We understand this to be consistent with the Board’s intent and view our request to be an important clarification that will reduce the risk of diversity in practice as well as confusion in interpretation.

We strongly support the continued effort of the Board to reduce complexity in financial reporting. We believe it is important that the Board continues to assess qualitative characteristics of financial reporting and evaluate cost versus benefit to users of financial statements. We also urge the members of the Board to continue working with members of the IASB in an effort to establish a single, high-quality financial reporting framework that can be applied globally.

We appreciate the Board’s consideration of our views.

Sincerely,

Susan M. Callahan
Director, Americas Accounting and Global Accounting Policy