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Mr. Russell G. Golden
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
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File Reference No. EITF0801&0903

Dear Mr. Golden:

We appreciate the opportunity to comment on the FASB Emerging Issues Task Force's ("EITF") draft abstracts for Issues No. 08-01, *Revenue Arrangements with Multiple Deliverables,* and No. 09-3, *Applicability of AICPA Statement of Position 97-2 to Certain Arrangements That Contain Software Elements* ("Issue 08-1" and "Issue 09-3", respectively). Huron Consulting Group helps clients address complex accounting challenges that arise in litigation, disputes and investigations, including issues relating to revenue recognition. Huron provides services to a wide variety of organizations, including Fortune 500 companies, medium-sized businesses, leading academic institutions, healthcare organizations, and the law firms that represent these various organizations.

We agree with the EITF's plans to supersede Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables* ("Issue 00-21"), in order to provide a measurement alternative to vendor specific objective evidence ("VSOE") and third-party evidence ("TPE") of fair value. We also agree with the EITF's plans to narrow the scope of AICPA Statement of Position 97-2, *Software Revenue Recognition.* We have included our general comments and observations in this cover letter and have included our responses to the specific questions on which the EITF requested comment in Appendix I to this letter.

Proposed Estimated Selling Price Measurement Alternative to VSOE and TPE

We generally agree that an entity should have the ability to estimate the price at which it would sell a good or service separately when it does not have VSOE or TPE of fair value. In many situations, companies do not have VSOE or TPE of fair value for undelivered elements in a multiple-element arrangement, resulting in an inability to recognize revenue until they deliver later elements. We believe that providing companies with the ability to allocate arrangement consideration using estimated selling prices will result in accounting that more appropriately reflects the underlying economics of transactions. We believe companies would often have a reasonable basis to make such an estimate even if it does not sell that good or service separately. However, we believe that the EITF should require that a company have a reasonable basis to estimate the standalone selling price. If a company does not have a reasonable basis to make such an estimate for one or more undelivered items, we believe that it should defer all revenue on the transaction until the earlier of the point at which it has a reasonable basis to make an estimate or it has fully delivered all items. Further, we believe the EITF should continue to permit the use of the residual method from Issue 00-21 for circumstances where a company does not have a reasonable basis to estimate the standalone selling price of one or more delivered elements, but does have a reasonable basis to estimate the selling price of all of the undelivered elements.

We believe that companies in certain industries, particularly technology, may not have a reasonable basis to estimate the standalone selling price for certain transactions. For example, if a customer is interested in purchasing a future release of a product but is willing to accept the current version with a promise that it will receive the future release when it is available, the seller would need to allocate the transaction price between the delivered product and the specified upgrade right. In our experience, companies often do not sell such upgrades separately and alternative estimation methods may not be appropriate. This issue may largely pertain to software upgrades, however, such software upgrades could be related to arrangements that are either within the scope of SOP 97-2 or outside of the scope of SOP 97-2 (particularly based on the current draft abstract of Issue 09-3). In such cases, an expected cost plus margin approach may not be feasible because of difficulties in estimating the appropriate amount of costs (research and development costs, in particular) and/or an appropriate margin. An adjusted market assessment approach may also not be feasible, especially for certain technology industry products, as there may not be sufficiently similar products in the marketplace. As such, we believe that the EITF should consider whether it would be appropriate to include provisions that would prevent the use of estimates when there is an insufficient basis to make reasonable estimates.

Proposed Scope Exception to SOP 97-2

We agree that the scope of SOP 97-2 is too broad and that the revenue recognition for many tangible products that contain more than an incidental amount of software would be improved if such transactions were excluded from the scope of SOP 97-2. Particularly in anticipation of the issuance of Issue 08-1, we believe that the general revenue recognition rules would often result in accounting that is more representative of the underlying economics of such transactions.

Although we agree with the direction taken in Issue 09-3, we nonetheless are concerned that companies might conclude that sales of products that combine software and non-software components are not within the scope of SOP 97-2 when the value of the non-software component is not significant to the overall value of the product. We believe companies should continue to apply SOP 97-2 to such transactions and recommend that the EITF clarify that Issue 09-3 does not apply when the value of the non-software component is insignificant in relation to the value of the software component.

Proposed Issue 09-3 Recognition Guidance

Paragraph 7 of Issue 09-3 states that, if an arrangement includes both deliverables that are within the scope of SOP 97-2 and outside the scope of SOP 97-2, revenue should be allocated to "each separate unit of accounting in accordance with Issue 08-1." We believe the EITF should clarify that this means the company should allocate revenue to the SOP 97-2 deliverables collectively, after which the company would allocate revenue to each of the SOP 97-2 deliverables in accordance with SOP 97-2. This clarification is particularly important when there are one or more undelivered items within the scope of SOP 97-2 for which VSOE can not be determined.

We believe that a company should allocate revenue to the individual SOP 97-2 deliverables in accordance with SOP 97-2. Otherwise, to permit the use of estimated selling prices in accordance with Issue 08-1 would significantly defeat the purpose of deeming any of the deliverables in the arrangements to be within the scope of SOP 97-2.

Other Comments

It appears there is a typographical error in Example 1c of the Issue 09-3 draft abstract. In the third sentence, we believe the second occurrence of the word "software" should instead be "computer".

In addition, in regards to Example 4 of the Issue 09-3 draft abstract, we believe the EITF should clarify the methodology the company should use in Example 4 of Issue 09-3 to separate the PCS deliverable between software and non-software related components (i.e., referring to paragraph 7 of the draft abstract and/or additional guidance as deemed appropriate).

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We would be pleased to discuss any of our comments with the FASB or its staff. Please direct any questions or comments to Mark Grover at 617-226-5562.

Sincerely,

/s/ Mark E. Grover

Mark E. Grover
Managing Director

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APPENDIX I

Question 1

Do you agree with the Task Force's decision to address [Issue 08-1] considering the potential overlap between [Issue 08-1] and the FASB and IASB joint project on revenue recognition?

We agree with the EITF's decision to address Issue 08-1, even with the ongoing FASB and IASB joint revenue recognition project. We believe the consensus on Issue 08-1 is consistent with the views reflected in the December 19, 2008 Discussion Paper (the "Discussion Paper") *Preliminary Views on Revenue Recognition in Contracts with Customers.* We do not see any reason to delay issuing what we see as an improvement in current GAAP.

Question 2

Do you agree with the Task Force's decision to eliminate the residual method of allocation and require a vendor to allocate arrangement consideration at the inception of an arrangement to all deliverables in the arrangement using the relative-selling price method? Is the relative-selling price method operational and does it provide a principle that could be applied consistently?

We generally agree with the EITF's decision to require a company to allocate arrangement consideration using the relative-selling price method, but believe the EITF should limit a company's use of that method to circumstances where it has a reasonable basis to estimate the standalone selling price for all of the deliverables in an arrangement. When a company does not have a reasonable basis for estimating the standalone selling price, we believe that the residual method would still be an appropriate method for allocating arrangement consideration when it has a reasonable basis to estimate the selling price for all of the undelivered elements.

Furthermore, we do not believe the EITF should require the use of the relative-selling price method when a company has VSOE or TPE for all of the undelivered elements, but not for all of the delivered elements. In such cases, because VSOE and TPE provide more objective and reliable evidence of standalone selling prices, and are as such potentially a much higher quality of evidence, we believe the EITF should not prohibit companies from applying the residual method.

Question 3

Issue 08-1 significantly expands the disclosures that are required related to multiple-deliverable revenue arrangements (including those arrangements affected by Issue 09-3).

(a) *Do you agree that the disclosures in the consensus-for-exposure would provide useful information for financial statement users? If you do not believe those disclosures would provide useful information, what disclosures should be required and why would they be* *useful?*

(b) *Are there additional disclosures that would provide useful information for financial statement users relating to multiple-deliverable revenue arrangements that the Task Force should consider requiring?*

We generally agree that the proposed disclosures provide useful information. Nonetheless, we recommend that the EITF clarify paragraph 21(h) of the draft abstract to indicate whether the disclosure is intended to address the effect of changes that had a significant effect on the allocation of arrangement consideration in the current financial statements, changes that are expected to have a significant effect on the allocation of arrangement consideration in future financial statements, or both.

In addition, we believe that the transition guidance in paragraph 23 of the draft abstract should also require that vendors disclose the nature of any material differences between the amount of revenue reported under Issue 08-1 and the amount of revenue that the company would have reported under Issue 00-21 in the year of adoption.

Question 4

The Task Force discussed whether these disclosures should also include the effects of changes in selling prices, allocation methods, or assumptions if they have a significant affect on profit margins but decided not to require such disclosure. Should the disclosure requirements of Issue 08-1 be expanded to include disclosure of the effects of changes in selling prices, allocation methods, or assumptions on profit margins, if significant?

We believe that the disclosures proposed in the draft abstract are already quite extensive. Since the proposed disclosures include the impact of changes in selling prices, allocation methods and assumptions on the timing and manner of revenue recognition, we do not believe it is necessary to expand the required disclosures in regards to their impact on profit margins.

Question 5

Do you agree that [Issue 08-1] should be applied on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with earlier application permitted as of the beginning of a fiscal year provided the vendor has not previously issued financial statements for any period within that year?

We agree with the proposed transition rules. We believe retrospective application would be onerous in many cases.

Question 6

The consensus-for-exposure requires an entity to disclose in the year Issue 08-1 and/or Issue 09-3 are adopted, the amount of revenue recognized under those Issues and the amount of revenue that would have been recognized had the entity applied Issue 00-21 and/or SOP 97-2. The Task Force believes that this information is necessary to describe the affect of the adoption of these Issues to financial statement users. Do you agree with that decision?

We agree with this requirement. While this requirement may involve significant effort on the part of preparers, we believe that such disclosure will be particularly useful information to users of financial statements of companies that experience a significant change in the timing of revenue recognition due to the adoption of Issue 08-1 and/or Issue 09-3.

Question 7

Do you agree with the Task Force's decision to address [Issue 09-3] considering potential overlap between [Issue 09-3] and the FASB and IASB joint project on revenue recognition?

We agree with the EITF's decision to address Issue 09-3, even with the ongoing joint revenue recognition project. The Issue 09-3 draft abstract appears consistent with the views expressed in the Discussion Paper, and we see no compelling reason to delay what we view as an improvement in current GAAP.

Question 8

Do you agree with the Task Force's decision to modify the scope of SOP 97-2 to address software enabled devices rather than to address broadly the measurement and separation criteria within SOP 97-2?

We agree with the EITF's decision to limit the guidance in Issue 09-3 to software-enabled devices. While we believe a more significant reassessment of SOP 97-2 may be appropriate in the future, we believe that it would be more prudent to wait until companies have adopted Issues 08-1 and 09-3 so that experience can be considered, particularly in regards to the use of estimated selling prices as an alternative to VSOE.

Question 9

Do you agree that the scope modification of Issue 09-3 is operational and can be applied consistently? If not, why not?

We believe that Issue 09-3 as drafted should be operational. We also believe that companies can apply it consistently, but that consistency would be improved if the final guidance more clearly describes the scope exception and application guidance in regards to the distinction between software deliverables that are and are not essential to the tangible product's functionality, as discussed above in our cover letter.

Question 10

If your answer to Question [9]is no, is there a better way to modify the scope of SOP 97-2 to improve financial reporting for software enabled devices while retaining the use of SOP 97-2 for software transactions?

N/A

Question 11

Do you agree that [Issue 09-3] should be applied on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with earlier application permitted as of the beginning of a fiscal year provided the vendor has not previously issued financial statements for any period within that year?

As with in regards to Issue 08-1, we agree with the proposed Issue 09-3 transition rules as retrospective application would be onerous in many cases.