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August 14, 2009

Mr. Russell G. Golden
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: FASB Emerging Issues Task Force (EITF) Issue No. 08-1, *Revenue Arrangements with Multiple Deliverables* and EITF Issue No. 09-3, *Applicability of AICPA Statement of Position 97-2 to Certain Arrangements That Include Software Elements*

Dear Mr. Golden:

The Financial Reporting Committee ("FRC") of the Institute of Management Accountants ("IMA") is writing to provide its views on Draft Abstract EITF Issue No. 08-1, *Revenue Arrangements with Multiple Deliverables* and EITF Issue No. 09-3, *Applicability of AICPA Statement of Position 97-2 to Certain Arrangements That Include Software Elements*. The FRC is comprised of representatives from preparers of financial statements of the largest companies in the world, the largest accounting firms in the world, valuation experts, accounting consultants as well as academics. The FRC reviews and responds to research studies, statements, pronouncements, pending legislation, proposals, and other documents issued by domestic and international agencies and organizations.

Consistent with the views expressed in our comment letter dated January 28, 2009 in response to the initial exposure of EITF 08-1, we continue to be supportive of the direction of the EITF. The changes made by the Task Force to the initial draft abstract in response to comments received represent significant improvements to the proposal. Also, we commend the Task Force for proposing EITF 09-3 to amend SOP 97-2 to exclude certain software-enabled products from its scope. We believe both proposals will significantly improve financial reporting by reducing complexity and increasing understandability with a better alignment of economics with reported results. Also, both proposals are consistent with the direction of the FASB and IASB joint project on revenue recognition and represent a positive interim step towards convergence with existing IFRS.

Here are our specific comments:

1. As previously mentioned in our January 28 comment letter, we support the elimination of the residual method of allocation. We believe the use of estimated selling prices in the allocation of consideration of revenue under the relative-selling price method is operational and can be consistently applied.
2. The additional disclosure requirements appear disproportionately excessive relative to other types of revenue arrangements and we are uncertain as to their usefulness to users. In addition, we are uncertain whether the disclosure requirements are operational.
3. We agree that the new guidance in EITF Issues No 08-1 and 09-3 should be applied prospectively and that adoption should be required for fiscal years beginning on or after June 15, 2010. To require adoption as of an earlier date may be difficult for some companies. However, we believe it is unnecessary to limit early adoption to entities that have not previously issued financial statements for any period within a fiscal year. Given that a final

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consensus will not be issued until the fourth quarter of 2009 at the earliest, entities with fiscal years ending prior to December 31 may find it difficult (or perhaps impossible) to early adopt. Even calendar year end companies might need to delay implementation until January 1, 2011 because of an inability to implement all the necessary system changes prior to the issuance of first quarter 2010 financial statements. Because we believe that EITF Issues No. 08-1 and 09-3 represent a significant improvement in financial reporting we encourage the EITF to permit early adoption retroactive to the beginning of the most recent fiscal year, provided the entity has not previously issued financial statements for that year.

4. One of our comments from our January 28 letter was not sufficiently addressed and we believe will result in an unintended change in practice. Changes to Examples 4 and 5 in the proposal related to FTB 90-1 appear to suggest that maintenance services must explicitly be separately priced in the contract to be within the scope of FTB 90-1. We believe that maintenance services that are separately priced in substance or in form should be accounted for consistently. For example, a company selling Product A for $100 on a standalone basis or Product A plus extended maintenance for $150 on a bundled basis is substantively the same as selling Product A for $100 with an option to purchase extended maintenance for $50. Because the substance of these arrangements is the same, we believe both extended maintenance deliverables should be considered "separately priced" (one implicit and the other explicit) for the purpose of evaluating whether the maintenance deliverable is within the scope of FTB 90-1. In addition, we believe this is consistent with current practice.
5. The title of Example 12 needs to be revised to reflect the elimination of the contract manufacturing deliverable from the arrangement.
6. We are confused by some of the language in the example disclosure from Example 11 – Agricultural Equipment. The example disclosure states, in part:

   > "For approximately 40 percent of our multiple-deliverable arrangements for which performance of all obligations occurs at the same time or within the same accounting period, the determination of whether a deliverable can be accounted for separately (as a unit of accounting) is generally limited to an assessment of whether the arrangement includes a general right of return."

   Why would an assessment (for recognition purposes) of whether the arrangement includes a general right of return be necessary if all obligations are satisfied within the same accounting period? Is it a reference to the FAS 48 assessment? This example also raises questions about the applicability or relevance of disclosures for arrangements where all deliverables are delivered at the same time or within the same accounting period.

We appreciate the EITF's consideration of these matters and welcome the opportunity to discuss any and all related matters.

Sincerely,

Mick Homan
Chair, Financial Reporting Committee
Institute of Management Accountants

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