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Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
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**Subject: File Reference No. 2011-230 – Exposure Draft, Proposed Accounting Standards Update (Revised), Revenue Recognition (Topic 605), *Revenue from Contracts with Customers* (“Revised ASU”)**

Dear Members of the Financial Accounting Standards Board and Staff:

I am writing on behalf of Jones Lang LaSalle Incorporated to comment on the Exposure Draft of the Revised ASU, “Revenue Recognition (Topic 605), Revenue from Contracts with Customers,” issued by the Financial Accounting Standards Board in November 2011.

Jones Lang LaSalle is a financial and professional services firm specializing in real estate. The firm offers integrated services delivered by expert teams worldwide to clients seeking increased value by owning, occupying or investing in real estate. With 2011 global revenue of \$3.6 billion, Jones Lang LaSalle serves clients in 70 countries from over 1,000 locations worldwide, including over 200 corporate offices. The firm is an industry leader in property and corporate facility management services, with a portfolio of approximately 2.1 billion square feet worldwide. LaSalle Investment Management, the company’s investment management business, is one of the world’s largest and most diverse in real estate with approximately \$48 billion of assets under management. Jones Lang LaSalle Incorporated is publicly traded on the New York Stock Exchange with headquarters in Chicago, Illinois, USA.

We appreciate this opportunity to provide comments on the Revised ASU.

We recognize that (i) accounting for revenue can be complex, (ii) there is general sentiment in the financial statement preparer, auditor, and user community that revenue recognition requirements in U.S. GAAP and IFRS can be improved; and (iii) it is appropriate for the Boards to address revenue recognition collectively as part of its broad convergence efforts. We welcome the Boards’ efforts to improve and converge the multitude of revenue recognition standards in use globally.

We understand the stated goals of the joint project to be clarification of revenue recognition principles and development of common standards through (a) removing inconsistencies and weaknesses in existing revenue requirements; (b) providing a more robust framework for

addressing revenue issues; (c) improving comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets; (d) providing more useful information to users of financial statements through improved disclosure requirements; and (e) simplifying the preparation of financial statements by reducing the number of requirements to which entities must refer.

We acknowledge that these goals are well-intentioned, and we believe that the Revised ASU reflects some changes which are improvements over the 2010 Exposure Draft; however, we have concerns about the extent to which each of these goals can be reconciled, particularly with respect to goals (c), (d) and (e). Regarding (c), we are not convinced that the market desires or expects revenue recognition practices to be consistent across transactions in various industries which may be very different with respect to economic substance. In regards to goal (d), we do not believe the expanded disclosure requirements to reconcile changes in contract assets, onerous obligations, or costs to obtain or fulfill contracts to be useful to management or the users of financial statements in most cases, but rather believe the expanded requirements add unnecessary costs and complexity to the financial reporting process. Regarding (e), we do not believe that the preparation of financial statements will be simplified by reducing the number of requirements to which entities must refer; that is, we do not believe that such preparation will be simplified if a reduction in the number of requirements is paired with (i) extensive changes to current guidance (which by its nature creates a period of adjustment for preparers and users, adding complexity) and (ii) the creation of implementation requirements in the Revised ASU that we believe will be more time-, labor-, and systems-intensive than current requirements. Furthermore, we believe that some of the proposed changes will not result in more useful financial information over the long term, but instead will only serve to confuse the financial statement user community and obscure transparency into financial reporting.

As requested, our detailed comments below are organized by question; we also have provided additional comments subsequent to our responses to Questions 1-6.

**Question 1: Paragraphs 35 and 36 specify when an entity transfers control of a good or service over time and, hence, when an entity satisfies a performance obligation and recognizes revenue over time. Do you agree with that proposal? If not, what alternative do you recommend for determining when a good or service is transferred over time and why?**

We agree with the proposed guidance in paragraphs 35 and 36 as to when an entity transfers control of a good or service over time and accordingly when an entity satisfies a performance obligation and recognizes revenue over time.

With respect to identifying performance obligations, we also appreciate the guidance provided in paragraphs 26(c) and IG16 – IG19, which we believe provide details as to how the primary services promised by an agent in a contract might be the delivery of a different contract to a customer, from which the customer would receive goods or services from another party and take title, possession, or other form of control over a different asset. However, with respect to other proposed performance obligations guidance in the Revised ASU, we are unclear as to why paragraph 25 includes a specific example citing “various administrative tasks to set up a contract” as absolutely unqualified for classification as a performance obligation, reasoning that “performance of those tasks does not transfer a service to the customer.” Instead, a contract

between service provider and customer could conceivably provide for payment terms and an earnings process for setting up a contract, and paragraph 26(h) appropriately recognizes that “performing a contractually agreed-upon task (or tasks) for a customer” qualifies as promised services from which revenue might be earned. We believe that other principles in the Revised ASU for services provided generally capture effectively in the affirmative what types of activities qualify for revenue recognition, such that this specific exclusion in paragraph 25 is unnecessary and confusing, and should be removed from the Revised ASU; if retained, we believe the intent of including this example should be clarified and distinguished further from paragraph 26(h).

**Question 2: Paragraphs 68 and 69 state that an entity would apply Topic 310 (or IFRS 9, if applicable) to account for amounts of promised consideration that the entity assesses to be uncollectible because of a customer’s credit risk. The corresponding amounts in profit or loss would be presented as a separate line item adjacent to the revenue line item. Do you agree with those proposals? If not, what alternative do you recommend to account for the effects of a customer’s credit risk and why?**

We agree that an entity should apply Topic 310 to account for amounts of promised consideration that the entity assesses to be uncollectible because of a customer’s credit risk. We believe that the change to recognizing as revenue the amounts to which an entity “expects to be entitled” from the amounts an entity “expects to receive” is an improvement over the 2010 Exposure Draft on this topic, both for users and preparers of financial statements, and that reversion back to a proposal to recognize revenue and receivables in amounts different from those contractually agreed and invoiced would result in additional complexity, operational challenges and costs which would be quite significant for at least some, if not many, preparers.

We believe that credit risk considerations should be made on a customer-by-customer basis, and we do not take exception to the concept of considering a customer’s credit risk in determining the amount of benefit from a revenue-generating transaction that should be recognized in an income statement upon achievement of other revenue recognition criteria. We also do not take exception to where uncollectible amounts might be presented in the income statement, whether adjacent to revenue as proposed in the Revised ASU, or in bad debt expense as under current practice, but we believe that the goal of presentation of adjustments to credit risk, either adjacent to revenue or within operating expenses, should be to provide users with a meaningful ability to assess a reporting entity’s performance relative to collecting amounts it has contractually billed. Finally, we believe the addition of implementation guidance illustrating the presentation ultimately envisioned by the FASB would be appropriate and helpful.

To the extent paragraphs 68 and 69 are retained in the final Revised ASU, and to the extent the final Revised ASU retains provisions for creating and recording contract assets, we believe paragraph 69 should expand upon the reference to contract assets in paragraph 68 to explicitly include both receivables and contract assets. That is, we believe that paragraph 69 should read as follows: “Upon initial recognition of the receivable and/or contract asset, any difference between the measurement of the receivable in accordance with Topic 310 and/or the contract asset and the corresponding amount of revenue...” Additionally, the reference to impairment at the end of paragraph 69 should be expanded to include consideration of the impairment of the related contract asset.

**Question 3: Paragraph 81 states that if the amount of consideration to which an entity will be entitled is variable, the cumulative amount of revenue the entity recognizes to date should not exceed the amount to which the entity is reasonably assured to be entitled. An entity is reasonably assured to be entitled to the amount allocated to satisfied performance obligations only if the entity has experience with similar performance obligations and that experience is predictive of the amount of consideration to which the entity will be entitled. Paragraph 82 lists indicators of when an entity's experience may not be predictive of the amount of consideration to which the entity will be entitled in exchange for satisfying those performance obligations. Do you agree with the proposed constraint on the amount of revenue that an entity would recognize for satisfied performance obligations? If not, what alternative constraint do you recommend and why?**

We generally agree with the proposed constraints on the amount of revenue that an entity would recognize for satisfied performance obligations. We believe that the use of the term "entitled" throughout paragraphs 81-85 is critical to reconcile with the provisions of paragraph 55, and we agree with paragraph 83 and the need for judgment and consideration of all facts and circumstances to apply these provisions effectively.

However, we believe that recognition of variable or contingent consideration as revenue when transaction prices become reasonably estimated is not aligned with the stated goals of the joint project, introducing more inconsistencies in revenue recognition practices, reducing comparability, and adding complexity to the preparation of financial statements due to the degree of judgment that may need to be applied in determining the measurement. With that in mind, we believe that retention of existing U.S. GAAP, which delays recognition of contingent or variable consideration until amounts become fixed and determinable, in the final ASU would better serve the stated goals of consistency, comparability and simplification.

**Question 4: For a performance obligation that an entity satisfies over time and expects at contract inception to satisfy over a period of time greater than one year, paragraph 86 states that the entity should recognize a liability and a corresponding expense if the performance obligation is onerous. Do you agree with the proposed scope of the onerous test? If not, what alternative scope do you recommend and why?**

We disagree with establishing the proposed scope of the onerous test at the level of an individual performance obligation; instead, we believe that the scope of an onerous test should be established at the level of contracts, or a contractual arrangement, with a customer. An entity might be willing to offer a particular good or service to a customer at a loss if its contractual arrangement with that customer is profitable in total, in which case we believe that acceleration of expense recognition on an individual performance obligation earlier than the timing of recognition of income and expense of other performance obligations under the same contractual arrangement would not provide an appropriate depiction of the earnings process under that contractual arrangement.

We read paragraph 86 to say that while satisfaction of a performance obligation of a contract must be expected to take over one year to complete in order to be within the scope of the paragraph, it is not necessary for the obligation to be onerous at the time of contract inception in order for an onerous obligation to be recognized at some point during the term of the contractual

arrangement. That is, if a performance obligation on a long-term contract is not onerous at the time of inception, but becomes onerous at some point during the term of the contract, we believe the provisions of paragraphs 86-90 would apply. However, we could envision readers of the Revised ASU inferring from paragraph 86 that the reference to contracts of greater than a year “at contract inception” being subject to the terms “...if the performance obligation is onerous” only applies if the obligation is onerous at contract inception. Therefore, in addition to requesting changes from “performance obligation” to “contractual arrangements” throughout paragraphs 86-90 (along with making other conforming changes), we recommend changing the end of paragraph 86 from “...if the performance obligation is onerous” to “...when the contractual arrangement becomes onerous.”

Finally, we request that the Board provide implementation guidance with detailed examples of onerous contractual arrangements which arise both upon contract inception, as well as subsequent to contract inception, in the Revised ASU.

**Question 5: The Boards propose to amend Topic 270 and IAS 34 to specify the disclosures about revenue and contracts with customers that an entity should include in its interim financial statements. The disclosures that would be required (if material) are:**

- 1. The disaggregation of revenue (paragraphs 114–116)**
- 2. A tabular reconciliation of the movements in the aggregate balance of contract assets and contract liabilities for the current reporting period (paragraph 117)**
- 3. An analysis of the entity’s remaining performance obligations (paragraphs 119–121)**
- 4. Information on onerous performance obligations and a tabular reconciliation of the movements in the corresponding onerous liability for the current reporting period (paragraphs 122 and 123)**
- 5. A tabular reconciliation of the movements of the assets recognized from the costs to obtain or fulfill a contract with a customer (paragraph 128).**

**Do you agree that an entity should be required to provide each of those disclosures in its interim financial statements? In your response, please comment on whether those proposed disclosures achieve an appropriate balance between the benefits to users of having that information and the costs to entities to prepare and audit that information. If you think that the proposed disclosures do not appropriately balance those benefits and costs, please identify the disclosures that an entity should be required to include in its interim financial statements.**

We believe that the qualitative elements of the Boards’ proposed disclosure requirements, along with disaggregations of revenue as used by an entity’s management, would provide the most valuable benefits to users of financial statements in understanding the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers for most reporting entities. We agree with the principles-based mandate in paragraph 109 for an entity to disclose information about (a) its contracts with customers, and (b) the significant judgments, and changes in the judgments, made in applying the proposed guidance to those contracts. We also commend the Boards on and appreciate the qualifying statements in paragraphs 110 and BC248 providing a reporting entity with the ability to consider “how much emphasis to place on each of the various requirements” and recognizing that the list of disclosures “...should not be viewed as a checklist of minimum disclosures,” such that an entity might omit altogether certain

of the disclosures if it determines the related information would be not be significant to financial statement users.

Also, we do not take exception with requirements to disclose the aforementioned information in both the interim and year-end financial statements, with the caveat that we would plan to continue to follow the existing practice of referring in interim financial statements back to prior year-end disclosures where no significant changes to disclosures have occurred in the intervening period.

However, we believe that for most reporting entities, several of the additional disclosure requirements will not be useful, and perhaps will be misleading, to financial statement users in relation to better understanding the amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. We also believe that for most reporting entities, several of the additional disclosure requirements will be much more time-, labor-, and systems-intensive than are current disclosure requirements, and will yield comparatively little benefit.

We do not believe that the specific reconciliations of aggregate balances of contract assets and liabilities described in paragraph 117, of onerous performance obligations described in paragraph 123, and of the movements of the assets recognized from the costs to obtain or fulfill a contract described in paragraph 128, should be presumed to be mandated for most reporting entities. We believe these reconciliations will not be particularly useful for the following reasons:

- (i) We expect that most reporting entities do not currently prepare, and so management of those reporting entities does not use, the reconciliations described in paragraphs 117, 123, and 128 to manage their businesses.
- (ii) In the event this disclosure information is mandated, we still would not expect management of most reporting entities to use the information in comprehensive reviews of their businesses, as the conditions giving rise to contract assets, contract liabilities, onerous performance obligations or contractual arrangements, and assets resulting from costs incurred to obtain or fulfill a contract would be unique to individual transactions for most businesses.
- (iii) We are concerned that preparation and disclosure of these reconciliations, which detail a significant amount of information to be disclosed, would give undue and misleading prominence to these activities as a relatively small and non-strategic subset of total revenues for most reporting entities, and not a meaningful view of the amount, timing and uncertainty of a reporting entity's revenue and cash flows.
- (iv) We are skeptical that most users of financial statements will view details of this type of activity as critical to their understanding of a reporting entity's business.

Similarly, we believe that the quantitative disclosure requirements for performance obligations detailed in paragraph 122 may give undue and misleading prominence to a relatively small subset of potential future revenues for most reporting entities.

Furthermore, we are concerned about the likely need to incur significant costs to implement systems solutions to comply with these requirements, if mandated, yielding what we believe would be a relative lack of benefits as outlined above. Finally, we are concerned that, in

practice, the mandates for each of these reconciliations and quantitative measures will ultimately supersede the “substance over form” disclosure guidance in paragraphs 110 and BC248 and result in “disclosure overload.”

As a result, we believe that use of an approach akin to the “management approach” as described in U.S. GAAP segment reporting guidance (ASC 280) for the quantitative disclosures would provide a principles-based framework for reporting the information that would (i) be more responsive to the core mandate in paragraph 109 and (ii) appropriately raise in prominence the qualifying statement in paragraph 110. From ASC 280-10-05-3:

...The management approach is based on the way that management organizes the segments within the public entity for making operating decisions and assessing performance. Consequently, the segments are evident from the structure of the public entity's internal organization, and financial statement preparers should be able to provide the required information in a cost-effective and timely manner.

We believe that such an approach will yield higher quality disclosures providing more insight into the businesses of individual reporting entities, and prevent distractions arising from preparation and presentation of non-strategic time-, labor-, and systems-intensive information. For reporting entities which generate significant revenues from contractual arrangements that would give rise to contract assets, contract liabilities, long-term performance obligations, and/or onerous performance obligations or contractual arrangements under the definitions of the Revised ASU, and for which the information is meaningful to management in operating its business, it may be useful to prepare and report the required disclosures on both an annual and interim basis. However, we believe the decisions to disclose such information should be made by individual entities under a management approach.

**Question 6: For the transfer of a nonfinancial asset that is not an output of an entity's ordinary activities (for example, property, plant, and equipment within the scope of Topic 360, IAS 16, or IAS 40), the Boards propose amending other standards to require that an entity apply (a) the proposed guidance on control to determine when to derecognize the asset and (b) the proposed measurement guidance to determine the amount of gain or loss to recognize upon derecognition of the asset. Do you agree that an entity should apply the proposed control and measurement guidance to account for the transfer of nonfinancial assets that are not an output of an entity's ordinary activities? If not, what alternative do you recommend and why?**

While our company does not ordinarily transfer nonfinancial assets, we do not take exception to the requirements for entities that transfer non-financial assets to apply the proposed control and measurement guidance to account for such transfer of non-financial assets that are not an output of an entity's ordinary activity.

## Additional Comments

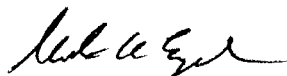
We would like to take this opportunity to provide the following additional feedback on the current Revised ASU:

1. Paragraphs 28–29 discuss the conditions under which a promised good or service is determined to be distinct versus bundled with other promised goods or services. Paragraph 28(b) states that a promised good or service is distinct if “the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer.” We request additional implementation guidance to illustrate the FASB’s definition of the word “benefit” in this case. Additionally, we feel the scope of paragraph 29 which provides situations in which goods could be bundled is extremely narrow. In regards to paragraph 29(a), if the goods are highly interrelated, regardless of whether an entity is required to provide significant integration services, we believe the items should be able to be bundled.
2. We do not take exception to the concept of reducing current period revenue recognition to reflect the impact of the time value of money when a contract includes a material financing component with payment(s) due in future years. However, we believe that paragraph IG66, Example 9, which depicts how an entity would adjust the amount of promised consideration when the customer pays in advance, yields a misleading result (i.e., recognition of revenue in amounts exceeding invoice and collection, followed by interest expense in future periods) that adds unnecessary and inappropriate complexity and cost for preparers and users of financial statements. We also believe that attempting to determine a customer-specific discount rate contemplating credit risk as well as the time value of money will be unnecessarily complex and burdensome for preparers. We believe that current U.S. GAAP provisions relating to interest in ASC 835 are sufficient and appropriate for use in this Revised ASU.
3. Assume revenue is recognized under the Revised ASU for an amount subject to a contingency that will not be resolved for two years; assume also that the contingency is expected to be resolved throughout the course of the entire two-year period, but ultimately is not resolved. A discounted amount of the total transaction price would be recognized as revenue at the beginning of the two-year period, and interest income would be recognized over the two-year period, in accordance with paragraphs 58-62 of the Revised ASU. At the time expectations regarding resolution of the contingency change, paragraphs 77-80 indicate that adjustments to the transaction price should be applied to revenue, but are silent to any impact on interest expense or interest income. We believe that if the concepts in paragraphs 77-80 are retained, then reference to allocating “...subsequent changes in the transaction price on the same basis as at contract inception” should include specific references to adjusting interest income and/or interest expense, as well as revenue.
4. Paragraph 95 states: “The incremental costs of obtaining a contract are those costs that an entity incurs in its efforts to obtain a contract with a customer and that it would not have incurred if the contract had not been obtained (for example, a sales commission).” We request additional implementation guidance examples of the types of costs that might qualify for capitalization as incremental costs incurred to obtain a contract.



I would be pleased to discuss our comments with you in further detail. If you have questions regarding our comments, please contact me at 1-312-228-2343.

Very truly yours,

A handwritten signature in black ink, appearing to read "Mark K. Engel". The signature is fluid and cursive, with a prominent initial "M" and a long, sweeping underline.

Mark K. Engel

Executive Vice President, Controller

Jones Lang LaSalle Incorporated