

April 28, 2019

Financial Accounting Standards Board
Technical Director
File Reference No. 2019-300

Submitted via e-mail to director@fasb.org

Re: FASB Exposure Draft, Proposed ASU, Issued February 14, 2019, Revenue from Contracts with Customers-Recognizing an Assumed Liability

Dear Technical Director:

The Virginia Society of CPAs (VSCPA) Accounting & Auditing Advisory Committee has reviewed the FASB Exposure Draft, Proposed ASU, Issued February 14, 2019, *Revenue from Contracts with Customers Recognizing an Assumed Liability*, issued by the Financial Accounting Standards Board (FASB). The VSCPA is a leading professional association dedicated to enhancing the success of all CPAs and their profession by communicating information and vision, promoting professionalism, and advocating members' interests. The VSCPA membership consists of more than 11,000 individual members who actively work in public accounting, private industry, government and education. We appreciate the work FASB has undertaken on this effort and the opportunity to respond to this proposed statement.

We support the FASB's efforts to provide guidance to improve consistency in the measurement and financial statement presentation of assumed liabilities associated with revenue from contracts with customers. The exposure draft should serve to improve the relevance of financial statement information for the liabilities assumed associated with revenue from contracts with customers. Please see our comments on the following pages.

Again, the VSCPA appreciates the opportunity to respond to this Discussion Paper. Please direct any questions or concerns to VSCPA Peer Review Operations Manager Alan Nicholas at anicholas@vscca.com or (804) 612-9419, or VSCPA Communications Manager Chip Knighton at cknighton@vscca.com or (804) 612-9408.

Sincerely,

Charles M. Valadez, CPA, CGMA, CITP
Chair

2018-19 VSCPA Accounting & Auditing Advisory Committee

Charles Valadez, CPA – Chair
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**Responses to FASB – FASB Proposed Accounting Standards Update – Revenue from Contracts with Customers-
Recognizing an Assumed Liability**

**Submitted by: George G. Crowell, CPA and M. James Hartson, Jr., CPA
Submitted on behalf of: Virginia Society of Certified Public Accountants**

Question 1:

Should entities be required to recognize a contract liability from a revenue contract with a customer acquired in a business combination using the definition of a performance obligation in Topic 606? **Yes, the acquirer will be required to perform the services or provide the goods, as outlined in the contract, in a manner similar to the acquiree. If the acquiree had an obligation to deliver goods or perform services based on an existing performance obligation, then the acquirer, if the contract was part of the acquisition, would have the same performance obligation. This would require the acquirer to record a liability similar to the acquiree.**

If not, please explain why and what recognition criteria are more appropriate.

Question 2:

Is the recognition that would be required by the amendments in the proposed Update operable? **Yes, as the fair value of the liability would be similar to the liability (and potentially the asset) that the acquiree would be required to record as part of executing the contract terms.**

If not, please explain why.

Question 3:

Would the proposed amendments result in financial reporting outcomes that are appropriate and meaningful to users of the financial statements? **Yes. If an acquirer would have a performance obligation as a result of acquiring another entity having a performance obligation in relation to a contract, then recognizing that liability at its fair value would be meaningful. The user of the financial statements would want to know what obligations would be required to be fulfilled as a result of an acquisition.**

If not, please explain why.

Question 4:

Should the proposed amendments be more broadly applied to similar transactions beyond contracts with customers, such as contracts within the scope of 610-20, Other Income-Gains and Losses from the Derecognition of Nonfinancial Assets?

If yes, please provide examples of potentially affected transactions.

Question 5:

The proposed amendments require no incremental disclosures. Should disclosures related to the proposed amendments or transition disclosures be required? **No, a disclosure would be required for the information on the acquisition and how it was recorded on the acquirer's books. Everything a financial statement user would require in disclosing the transaction would be included in that disclosure. No additional information would be needed. This update is simply clarifying and standardizing recognition of performance obligations on a contract with customers and is not changing what is currently done in practice.**

If yes, please explain why and provide the additional disclosures that should be required.

Question 6:

Do you agree with the proposed prospective transition requirement? **Yes. Each acquisition would be considered individually; therefore, any retrospective transition would have limited usefulness.**

If not, what transition method would be more appropriate and why?

How much time would be needed to implement the proposed amendments? **I would say one year from publication for Public companies, and two years for private companies.**

Should early adoption be permitted? **Yes.**

Should entities other than public business entities be provided with an additional year to implement the proposed amendments? **Yes, see above.**

Why or why not? **Entities other than public business have fewer resources available to implement procedures and capture of information related to the necessary disclosures to be done for a business acquisition. Also, other than public business entities engage in acquisitions much less frequently than public business entities, creating less opportunity to experience the accounting and disclosure requirements currently codified; therefore, updates would take longer to put into practice.**

Question 7:

What would be the implications, if any, of finalizing the proposed amendments on the recognition of contract liability from a revenue contract with a customer acquired in a business combination without finalizing amendments on measurement and other topics that may result from feedback received as part of the concurrently issued Invitation to Comment? **If the scope of the update was specific in the type of contract it was addressing, the only implication would be the need to issue additional updates to address other types of contracts and liabilities that may result from feedback received as part of the ITC issued concurrently with this update.**