



March 7, 2012

Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, Connecticut 06856-5116  
*Technical Director File Ref # 2011-230*

RE: Proposed Accounting Standards Update (Revised), Revenue Recognition  
(Topic 605)

We appreciate the opportunity to provide the Financial Accounting Standards Board (the "Board") with comments on its Proposed Accounting Standards Update of Topic 605.

First Data Corporation is a leading provider of electronic commerce and payment solutions for merchants, financial institutions, and card issuers worldwide. First Data's portfolio of services and solutions includes credit, debit, private-label, smart and stored-value card issuing and merchant transaction processing services; fraud protection and authentication solutions; check guarantee and verification services; as well as internet commerce.

We support the Board's objectives in issuing the revised proposal, in particular the continued efforts to develop a common revenue standard for U.S. GAAP and IFRS and to improve comparability across industries. We generally agree with the main principles in the proposal, including the revisions that have been incorporated since the original proposal; however, we believe that several requirements warrant further consideration. Our concerns are included below in our responses to several of the Board's questions.

**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?*

**Question 2 Response:** We generally agree with the revisions from the 2010 proposal made by the Board related to the presentation of the effects of a customer's credit risk; however, we believe additional clarification is necessary to ensure consistent and comparable presentation across companies.

The revised proposal includes a requirement to recognize the difference between the measurement of the receivable in accordance with Topic 310 and the corresponding amount of revenue recognized, as well as subsequent adjustments to this initial estimate, in profit or loss as a separate line item adjacent to the revenue line item. We do not think it is clear as to whether this new line item should be presented as its own line item within the calculation of net revenue (similar to discounts, returns and allowances) or whether this new line item should be presented adjacent to net revenue.

Additionally, for those companies that present net revenue by class within the profit or loss statement we do not think the guidance is clear as to whether those companies would be required to present this new line item broken out by class adjacent to each major class of revenue being presented or whether presentation of the amount in aggregate would be adequate.

Lastly, paragraph 62 states, “An entity shall present the effects of financing separately from revenue (as interest expense or interest income) in the statement of comprehensive income.” Paragraph 69 goes on to state, “If the contract does not have a significant financing component in accordance with paragraph 58, an entity shall present any impairment of the receivable (or change in the measurement of impairment) in profit or loss as a separate line item adjacent to the revenue line item.” We do not think it is clear as to whether the entire amount of the impairment or only the portion directly related to the significant financing component shall be classified as interest expense or interest income when there is a significant financing component in the arrangement. The Board recognized this potential for confusion in its Background Information, Basis for Conclusions, and Alternative Views discussion in paragraphs BC174 and BC175. We suggest the Board add that discussion into the final guidance, specifically the discussion of bifurcating contracts into effectively two separate transactions when there is a significant financing component and classifying the resulting impairments as either interest income (expense) or in a line item adjacent to revenue.

**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?*

**Question 3 Response:** We generally agree with the Board's intent to constrain the amount of revenue to be recognized when there are elements of variable consideration in an arrangement; however, contrary to the Board's intent we believe as written the current proposed guidance, specifically including the implementation guidance and illustrations, leaves room for potentially aggressive acceleration of revenue recognition and inconsistent application across industries.

In IG71 the example discusses an entity earning a sales commission for selling an insurance policy and being entitled to receive an additional commission for each subsequent year in which the policy is renewed. The example says the entity would accelerate the recognition of revenue for the additional sales commission earned upon policy renewal based on the fact that the entity has significant experience with similar types of contracts and customers and that past experience is predictive of the amount of consideration to which the entity will be entitled. We believe this revenue recognition is aggressive as there are factors outside of the entity's control that may cause the entity to

experience higher or lower renewal rates than its past history would predict; however, those other factors are being ignored and the entity is being allowed to accelerate the recognition of this revenue. Paragraph 85 discusses a situation in which an entity licenses intellectual property to a customer in exchange for a promise to pay an additional amount that varies on the basis of the customer's subsequent sales or service. The guidance does not indicate whether the entity has significant experience with past customers and contracts that could be predictive of the future amount to which the entity will be entitled to receive. Regardless of the entity's historical experience the guidance goes on to conclude that the entity would be prohibited from recognizing revenue on those future sales because the entity is not reasonably assured to be entitled to the variable amount of consideration. We believe this revenue recognition model is conservative in that the entity cannot recognize the revenue for future transactions when there are factors outside the entity's control that may impact the amount to which the entity will be entitled.

We believe that the accounting for these two scenarios, each containing an element of variable consideration, is inconsistent. If both entities have satisfied their performance obligations, have significant experience with the contracts and customers, and deem that experience to be predictive of the amount of consideration to which each entity will be entitled, we believe the guidance should result in the same accounting treatment. The proposed guidance as written will result in the acceleration of revenue by one entity and deferral of revenue by the other. We encourage the Board to re-visit this apparent inconsistency to eliminate any confusion in the application of the guidance. We suggest the more conservative recognition model (resulting in deferring the revenue) be adopted.

**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.*

**Question 5 Response:** Consistent with our previous comment letter (Comment Letter No. 463) to the Board dated October 22, 2010, we agree that the proposed disclosures may provide information that could be useful to certain users of financial statements;

however, we continue to believe the information is not critical to their understanding of an entity's financial position or results of operations and that the information could not be implemented without incurring significant additional costs that outweigh the benefits of the information provided on both an annual and interim basis. We most strongly disagree with the disclosure requirements proposed in paragraphs 117, *Reconciliation of contract balances*, and 128, *Assets recognized from the costs to obtain or fulfill a contract with a customer*. We believe the processes and procedures that will need to be implemented in order to collect and track this information will be very manual in nature and will require a great deal of coordination throughout the entire organization (globally) that will be very burdensome to companies. We are especially cognizant of proposed changes to the guidance requiring new or expanded disclosures as these are especially burdensome on large accelerated filers due to the continued focus on shortening the deadlines for filing with the Securities and Exchange Commission. In this case, we do not believe the costs of preparing these disclosures outweigh the benefits of the information disclosed to financial statement users.

We believe the current disclosure requirements are adequate; however, we support the Board's goal of increasing transparency in a company's revenue recognition practices. As a result, we support the proposal for additional qualitative based disclosures, including for example paragraphs 118, 119 b., 122, and 124-127. We believe this type of information will give users of financial statements more insight and understanding into a company's revenue recognition practices without burdening the Company with the requirement to produce less meaningful quantitative data. We encourage the Board to re-examine the proposed disclosure requirements on both an interim and annual basis and ensure that in the Board's opinion the benefits obtained by a financial statement user from the disclosed information will outweigh the costs to the entity of collecting and preparing such information. It is our opinion that the costs heavily outweigh the benefits.

### **Other Comments**

**Contract Costs:** The proposed guidance in paragraphs 94 and 95 state the following:

94. An entity shall recognize as an asset the incremental costs of obtaining a contract with a customer if the entity expects to recover those costs, subject to the practical expedient in paragraph 97.

95. 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 generally agree with the Board's intent to allow entities to recognize as an asset the incremental costs incurred in obtaining a contract with a customer when the entity expects those costs will be recovered and meets the other criteria as set forth in paragraph 91 of the proposed guidance. Through analogy to ASC 310-20 and ASC 605-20-25-1 through 25-6 we believe some entities have historically made policy elections to capitalize certain direct costs (for example, a sales commission) but that other entities have policy elections to expense such costs.

For those entities whose policy elections currently require sales commissions to be expensed, the entity will need to develop and implement processes for monitoring and reviewing those newly recorded assets for amortization and impairment. In many instances this will include a large volume of individually insignificant commissions that will be burdensome to track and monitor. In the Background Information, Basis for

Conclusions, and Alternative Views section the Board acknowledged that the costs to comply with this requirement may outweigh the benefit and therefore provided a practical expedient to expense costs when the amortization period would have been one year or less. We suggest the Board further expand the practical expedient to address situations whereby there is a high volume of individually insignificant commissions from the point of view of both initial recognition and the ongoing amortization and impairment testing.

We believe application of the proposed guidance will result in an entity incurring significant costs in the year of adoption (calculating the cumulative adjustment) and will be burdensome on an ongoing basis to those entities that previously elected expensing these costs. We further believe there is little ongoing benefit to changing the accounting treatment given that subsequent to adoption the expense reflected in the results of operations under an expense or capitalization model will likely be materially similar (differences between the two methods of recognition would be driven by size and quantity of commissions signed in a given year, the length of the contracts etc).

We encourage the Board to re-consider the benefit to the financial statements upon adoption of the proposed accounting treatment and the costs entities will incur both up front and on an ongoing basis to ensure that the Board believes the benefits to the users of financial statements outweigh the costs to adopt these provisions in the proposed guidance. It is our opinion that the costs do not outweigh the benefits.

**Effective Date:** The Board has disclosed that the final revenue standard would not be effective earlier than for annual reporting periods beginning on or after January 1, 2015. Given the large scale of the changes in the guidance coupled with the quantitatively and qualitatively significant increase in disclosure requirements we believe the adoption of the final guidance will require significant work and possible changes in many entities' systems and processes. We encourage the Board to allow entities a full fiscal year from finalization of the standard to the first year of comparative statements (i.e. if the standard is finalized during 2012 the first year of comparative statements would be the reporting period beginning on or after January 1, 2014). This would give entities sufficient time to adequately understand the guidance, provide the training necessary to implement and ensure compliance with the guidance internally and update any systems and processes requiring changes to record and track information in compliance with the final recognition, presentation and disclosure requirements.

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We appreciate the opportunity to share our views and recommendations with the Board regarding the Proposed Accounting Standard Update. If you have any questions regarding the contents of this letter please contact Nicole Wong at 303.967.6032 or Rick Seidlitz at 303.967.7387 at your convenience.

Sincerely,

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Rick Seidlitz  
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Accounting Policy and Standards