

June 11, 2018

Director@fasb.org

File Reference No. 2018-240

Technical Director
FASB
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: Proposed Accounting Standards Update, Collaborative Arrangements (Topic 808): Targeted Improvements

Dear FASB:

The views expressed herein are written on behalf of the Professional Standards Committee (PSC) of the Texas Society of CPAs. The PSC has been authorized by the Texas Society of CPAs' Board of Directors to submit comments on matters of interest to the membership. The views expressed in this document have not been approved by the Texas Society of CPAs' Board of Directors or Executive Board and, therefore, should not be construed as representing the views or policy of the Texas Society of CPAs. Please find our responses below to the questions included in the above-referenced exposure draft.

Question 1: Would the amendments in this proposed Update clarify when a transaction between collaborative participants is within the scope of the revenue guidance in Topic 606? Would the proposed amendments reduce diversity in practice in this area? If not, please explain why.

Response: The committee believes that the Update provides some improvement in clarification when a transaction between collaborative participants is within the scope of Topic 606. However, the proposed changes are still somewhat ambiguous in the determination of whether or not a client is a customer.

Question 2: Is additional guidance necessary to determine whether a collaborative participant is a customer? If so, please provide suggestions.

Response: The committee believes it would be helpful to provide guidance in determining whether or not the collaborative participant is a customer under Topic 606. For example, if the collaborative arrangement does not result in the involvement of a third party, it is problematic to make a determination if there is ultimately a customer. If the third party is a revenue-producing entity, then a collaborative arrangement is clear and Topic 606 would apply. Otherwise, it may be very difficult to determine if Topic 606 applies. It would be helpful to provide guiding principles in evaluating these types of collaborative arrangements.

Question 3: Are the proposed amendments on presentation in paragraph 808-10-45-3 operable? Would the proposed amendments reduce diversity in practice in this area?

Response: The committee thinks that the amendments as proposed may not be operable due to the significant impact on financial statement ratios and presentation in the Statement of Cash Flows. Guidance under other standards, such as 606, may conflict with 808. For example, some receipts are not revenue from collaborative partners. Also, for some entities, this is a significant source of cash flows, which would not be included in operating cash. Diversity in practice may be improved, but actual application may be difficult to achieve.

Question 4: Would the proposed amendments on the unit of account clarify that the unit-of-account guidance in Topic 606 should be applied for determining if a transaction is within the scope of Topic 606? If not, please explain why.

Response: The committee agrees that the proposed amendments would help clarify whether or not 606 or 808 would apply to a collaborative transaction.

Question 5: Should a reporting entity be required to provide additional recurring disclosures (that is, incremental disclosures to those required in Topic 808 and Topic 606) because of the proposed amendments? If so, what additional recurring disclosures should be required?

Response: The committee thinks that there is no benefit to requiring additional disclosures. The disclosures already required by Topic 606 and 808 are adequate.

Question 6: Do you agree with the proposed transition requirements, including the retrospective application to the adoption date of Topic 606? If not, what transition method would be more appropriate and why?

Response: The committee thinks that since implementation of Topic 606 was required January 1, 2018 for public companies, the proposed transition requirements are acceptable. However, entities should have the option to restate prior years or not. Some companies may choose complete restatement, while others that do not have significant arrangements would not see the cost benefit of retrospective application.

Question 7: How much time is needed to implement the proposed amendments? Should early adoption be permitted?

Response: Public companies are already implementing 606; therefore, the committee thinks that early adoptions should be permitted. Otherwise, public companies should be allowed one to two years to implement.

Question 8: Should entities other than public business entities be provided with more time to implement the proposed amendments? If so, how much more time?

Response: The committee thinks that nonpublic entities should be allowed a minimum of two years to implement the amendments. If public companies are provided two years to implement, nonpublic companies should be allowed an additional year to benefit from the experience of early implementers.

We appreciate the opportunity to provide input into the standards-setting process.

Sincerely,



Ken Sibley, CPA
Chair, Professional Standards Committee
Texas Society of Certified Public Accountants