



June 11, 2018

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

Re: File Reference No. 2018-240

Submitted via electronic mail to director@fasb.org

Dear Chairman Golden,

The Committee on Corporate Reporting (“CCR”) of Financial Executives International (“FEI”) appreciates the opportunity to comment on the Financial Accounting Standard Board’s (the “Board”) Proposed Accounting Standards Update (“ASU”), *Collaborative Arrangements: Targeted Improvements*.

FEI is a leading international organization representing more than 12,000 members, including Chief Financial Officers, Controllers, Treasurers, Tax Executives and other senior-level financial executives. CCR is a technical committee of FEI, and reviews and responds to research studies, statements, pronouncements, pending legislation, proposals and other documents issued by domestic and international agencies and organizations. CCR member companies represent approximately \$8.6 trillion in market capitalization and actively monitor the standard setting activities of the SEC, FASB, and PCAOB.

This letter represents the views of CCR and not necessarily the views of FEI or its members individually.

CCR appreciates the Board’s commitment to enhancing clarity in accounting guidance where uncertainty exists, and supports guidance which promotes consistency in application. Overall, we are supportive of the proposed amendments to clarify the interaction between Topic 808, *Collaborative Arrangements* (“ASC 808”), and Topic 606, *Revenue from Contracts with Customers* (“ASC 606”).

General

The proposed amendments to ASC 808 are generally consistent with and provide support for our current accounting policies. We believe that the proposed amendments provide appropriate guidance for determining whether transactions between collaborative participants are directly within the scope of ASC 606. The amendments substantiate that transactions in collaborative arrangements presented as



revenue are consistently presented as revenue, and accordingly, those transactions that are not revenue are consistently excluded. We appreciate the Board continuing to allow companies to analogize to other Topics when accounting for the portion of collaborative arrangements that is not with a customer or not related to third party sales. In doing so, we believe the Board has left sufficient flexibility in the proposed guidance to allow for application to various types of collaborative arrangements.

While we believe the proposed amendments will not create new areas of diversity in practice, given the flexibility that is still allowed, we also believe the amendments will not eliminate all of the diversity that currently exists (e.g. accounting for upfront, cost-sharing, or milestone payments). However we are supportive of such diversity when grounded in strong professional judgment.

Potential Clarifications

We appreciate the commentary provided by the Board in the Basis for Conclusions, specifically as it relates to the presentation guidance in BC19 and BC20, and the nonrevenue model in BC21. This commentary could be helpful for entities when applying the guidance to collaborative arrangements. Therefore, we suggest the Board consider incorporating some of this commentary into the guidance.

Effective Date

We believe public business entities should be given one year to apply the proposed amendments, with early adoption permitted.

Transition

As proposed, entities would be required to apply the final guidance retrospectively to the date of their initial application of ASC 606. We would strongly support including an option for prospective application with a cumulative catch up at adoption. While we appreciate a retrospective application would directly align with the effective date of ASC 606, from a practical standpoint, an option for prospective application could streamline the reporting process for companies that have already adopted ASC 606.

Conclusion

Overall, we are supportive of the conclusions reached in this proposed ASU. Should you have any questions, we welcome the opportunity to discuss our comments further.

Sincerely,

Mick Homan

Mick Homan
Chair
Committee on Corporate Reporting
Financial Executives International