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January 24, 2025

Mr. Jackson Day
Technical Director
Financial Accounting Standards Board
801 Main Avenue
PO Box 5116
Norwalk, CT 06856-5116

RE: Proposed Accounting Standards Update, *Intangibles - Goodwill and Other – Internal Use Software (Subtopic 350-40)* **(File Reference No. 2024-ED400)**

Dear Mr. Day:

We appreciate the opportunity to comment on the Proposed Accounting Standards Update (ASU), *Intangibles - Goodwill and Other – Internal Use Software (Subtopic 350-40)*.

We support the objective of modernizing the internal-use software guidance in Subtopic 350-40 and agree accordingly with removing references throughout the Subtopic to software development stages ('project stages'), which mostly align with the more linear and sequential software development methodologies that were predominant when the existing guidance was developed. We believe the proposed amendments will help to align the internal-use software guidance with the more flexible and iterative software development methods (namely, agile) commonly used today, thus eliminating an area of complexity in US GAAP for entities attempting to reconcile the existing guidance with their software development processes. At the same time, we believe the amendments do not make Subtopic 350-40 less operational for internal-use software projects that may continue to follow a more linear and sequential development path.

Our general support notwithstanding, in the sections that follow we offer three *primary* suggestions that we believe may help to improve the amendments and better achieve the Board's objectives.

1. More closely align the recognition requirements for costs of software customers pay to access via cloud computing arrangements (CCA software) with the recognition requirements of software licensed to customers (external-use software).
2. Clarify that while the evaluation of significant development uncertainty may be simple in many scenarios it cannot be ignored entirely.
3. Clarify how an entity should determine whether to account for software and tangible components of an arrangement as a single combined unit of account, and what GAAP to apply to the combined unit of account.

More closely align CCA software cost recognition requirements to those for external-use software

If the Board's intention through the proposed amendments is to align the recognition requirements for costs of (1) software licensed to customers (external-use software) and (2) software customers pay to access via cloud computing arrangements (CCA software), we believe the most effective approach to accomplishing that objective would be to more closely align the guidance applied to each. Different guidance can, and more often than not does, lead to different accounting outcomes; thus, the path most likely to lead to aligned accounting outcomes for software costs of these two types of software is to subject them to the same accounting guidance.

As a specific example of where a difference may arise, consider the following: an entity applying the proposed requirements to the development of CCA software could 'resolve' a 'novel, unique or unproven feature or function' development uncertainty (i.e. conclude that the novel, unique or unproven feature or function does not make the software project less than probable of completion) *without* having to prove that resolution through coding and testing, but would have to do so under Subtopic 985-20 if the software being developed was external use software.

In this scenario, the entity applying the proposed amendments would meet the probable-to-complete threshold, and therefore commence cost capitalization, earlier than the entity applying Subtopic 985-20 could establish 'technological feasibility' for that same software and begin to capitalize eligible production costs. Put differently, while an entity must establish technological feasibility for software in the scope of Subtopic 985-20 before capitalization can begin, we believe an entity could conclude that capitalization for CCA software should commence merely when it becomes probable that technological feasibility *will be* achieved (i.e. earlier) under the proposed amendments.

In our view, closer alignment of the recognition requirements for these two types of software could be achieved by either:

- scoping CCA software into Subtopic 985-20 (*Approach 1*); or
- requiring that entities subject to Subtopic 350-40 resolve significant development uncertainty by establishing the 'technological feasibility' of the software in accordance with Subtopic 985-20 (*Approach 2*).

We believe re-exposure of the proposed ASU would not be required for either approach because both are designed to result in accounting outcomes that are consistent with the Board's expectations about the accounting outcomes of the proposed amendments as expressed in paragraph BC18(b) of the proposed ASU.

While we understand there may be questions about the feasibility of Approach 1, we believe it can be accomplished through relatively minor amendments to Subtopics 350-40 and 985-20. We have previously shared suggested amendments to the Codification to accomplish this approach with the FASB staff; we are happy to discuss those or further assist the Board and its staff in efforts to enact this change. We expect other stakeholders would be similarly inclined.

Approach 2, which the Board might consider if it concludes it is not feasible to scope CCA software directly into Subtopic 985-20, might be accomplished via an amendment, such as that which follows, to proposed paragraph 350-40-25-12A. This approach would, in our view, have the effect of expressly aligning the cost capitalization threshold that applies to (1) external-use software and (2) CCA software for which significant development uncertainty is determined to exist.

> **350-40-25-12A** If there is significant uncertainty associated with the development activities of the software (referred to as significant development uncertainty), the probable-to-complete recognition threshold described in paragraph 350-40-25-12(c) is not considered to be met. Once the significant development uncertainty has been resolved <u>by establishing the technological feasibility of the software in accordance with</u>

> paragraph 985-20-25-2, an entity shall evaluate the requirements in paragraph 350-40-25-12 to determine when to begin capitalization of costs. The following are factors that may indicate that there is significant development uncertainty and that the probable-to-complete recognition threshold is not considered to be met…

In addition to more likely achieving recognition convergence between external-use and CCA software development, we believe *either* approach articulated above is likely to involve less implementation cost and effort than the proposed amendments. This is because:

- Subtopic 985-20 is well-established in practice, and we believe most entities developing CCA software either (1) already apply Subtopic 985-20 to external-use software they also develop or (2) are versant in Subtopic 985-20's requirements for external-use software.
- The criteria for establishing technological feasibility under paragraph 985-20-25-2 are more objective and practiced than the two assessments that would be required under the proposed amendments when significant development uncertainty is determined to exist – i.e. the assessments of (1) probability and (2) associated significant development uncertainty resolution. And while probability (paragraph 350-40-25-12(c)) would still apply under Approach 2, we believe that, as a practical matter, establishing the technological feasibility of the software would also serve to establish its probability of completion.

In addition, we observe that many software offerings are 'hybrid' in nature; that is, a single commercial offering often includes external-use software and CCA software. Permitting companies to apply the same capitalization threshold to these entire hybrid offerings – i.e. *not* being required to distinguish external-use software elements from CCA software elements for development cost capitalization purposes – would represent a simplification from current US GAAP and from the proposed amendments.

Comparing Approach 1 and Approach 2, we observe that the overall benefit would likely be more muted under Approach 2 because Subtopic 350-40, which would still govern the accounting for CCA software, contains different guidance from Subtopic 985-20 about (1) what costs can be capitalized (e.g. indirect costs can be capitalized under Subtopic 985-20, but not under Subtopic 350-40), (2) the amortization method for capitalized costs and (3) impairment of capitalized costs. In addition, significant development uncertainty may not be concluded to exist for all CCA software projects. However, we still believe Approach 2 would yield significant benefits in terms of aligned outcomes and reduced cost and complexity.

Clarify evaluation of significant development uncertainty

Paragraphs 350-40-25-12A, 350-40-55-5 – 55-8 (Example 1), and BC30 of the proposed ASU all refer to entities potentially not needing to evaluate whether significant development uncertainty exists. We believe the Board's intent here is to communicate that this evaluation may be *simple* for many internal-use software projects, but we disagree that the evaluation is entirely *unnecessary* or should not, in fact, be undertaken for *all* projects. As a practical matter, we are uncertain how an entity, if asked, could support that a software project was probable of completion if it had not, easily or otherwise: (1) concluded that the software (or customizations or enhancements thereto) was (were) not so novel, unique or unproven as to call into question its probability of completion and (2) established the significant performance requirements of the software.

Consistent with this view and perhaps contradictory to what is stated in paragraph 350-40-25-12A, we believe the company in Example 1 *is* considering whether significant development uncertainty exists. Paragraph 350-40-55-7(b) appears, to our read, to illustrate how the company was able to *easily* conclude no such uncertainty exists, not that no such consideration occurred. In that subparagraph, the company observes that the software is a 'developed solution' and the customizations refer to implementing *existing* functionality and feature enhancements. This, at least implicitly, resolves that the software project does not involve novel, unique or unproven functions or features. Meanwhile, this also suggests that the company has identified the significant performance requirements it will demand from the software.

We believe the Board should revise paragraphs 350-40-25-12A and 350-40-55-7, potentially as follows, and make conforming changes to the discussion in paragraph BC30, to guide stakeholders that the evaluation of significant development uncertainty may be simple in many scenarios but cannot be ignored entirely.

> **350-40-25-12A** If there is significant uncertainty associated with the development activities of the software (referred to as significant development uncertainty), the probable-to-complete recognition threshold described in paragraph 350-40-25-12(c) is not considered to be met. Once the significant development uncertainty has been resolved, an entity shall evaluate the requirements in paragraph 350-40-25-12 to determine when to begin capitalization of costs. The following are factors that may indicate that there is significant development uncertainty and that the probable-to-complete recognition threshold is not considered to be met:
>
> a. The computer software being developed has novel, unique, unproven functions and features or technological innovations.
>
> b. The significant **performance requirements** of the computer software have not been identified, or the significant performance requirements continue to be substantially revised.
>
> For certain software projects, such as illustrated in Example 1 (see paragraphs 350-40-55-5 through 55-8) for the implementation and customization of an enterprise resource planning system using a developed solution, the <u>evaluation about whether</u> ~~probable-to-complete recognition threshold described in paragraph 350-40-25-12(c) can be evaluated without having to consider~~ significant development uncertainty <u>exists may be straightforward</u>. For other software projects, such as illustrated in Example 3 (see paragraphs 350-40-55-13 through 55-15) for the development of a new technology, an entity may have to <u>undertake more effort when determining whether</u> ~~evaluate~~ significant development uncertainty <u>exists and, if so, when it is resolved.</u>~~to determine whether the probable-to-complete recognition threshold is met.~~
>
> **350-40-55-7** The company assesses whether the internal and external costs to implement and customize the enterprise resource planning system meet the capitalization requirements in paragraph 350-40-25-12, as follows:
>
> a. The company determines that management authorized and committed to the funding on August 1, 20X3, when it executed the contract with the third party.
>
> b. As of August 1, 20X3, the company determines that it is **probable** that the software project will be completed and the software will be used to perform the function

intended. The company concludes that no significant development uncertainty exists because it ~~the company~~ has selected a developed solution, it ~~the company~~ will have the third party's expertise during the implementation and customization, and ongoing customization of the software relates to selection of existing functionality and features.

Clarify unit of account guidance for tangible assets with embedded software

Determining when to account for software and non-software components as a single unit of account

Proposed paragraph 350-40-15-1A creates an accounting policy election with respect to the accounting by acquirers for tangible assets with embedded software components. We believe the limited guidance, simply to 'apply a reasonable and consistent method', creates:

- complexity for preparers and practitioners to decide on a method and determine (i.e. from a controls perspective and support to auditors) whether it is reasonable; and
- potential diversity for financial statement users (e.g. similar companies accounting for similar assets differently).

We believe a framework already exists in US GAAP – i.e. in Topic 606 (paragraph 606-10-55-56(a)) – that the Board should consider adopting in place of the proposal in paragraph 350-40-15-1A. The potential edits to paragraph 350-40-15-1A included below would effect this recommendation.

We observe that during redeliberations of Accounting Standards Update (ASU) No. 2016-02 on leases, outreach suggested that entities, when identifying lease and non-lease components, commonly already looked to the now-superseded guidance in Subtopic 985-605 that prescribed accounting for software components of tangible products as part of the tangible product 'when the software components and non-software components of the tangible product function together to deliver the tangible product's essential functionality.' Lessees generally only accounted for a lease component in relation to the lease of a tangible asset with embedded software when the software and non-software components of the asset functioned together to deliver the tangible asset's essential functionality, while lessors generally treated any such underlying asset as only a lease of a single PP&E asset (i.e. not as a lease of the tangible component and a license to the embedded software). We are not aware of any substantive change in practice in this regard since the issuance of ASU 2016-02.

We do not believe there is any substantive difference in meaning between the guidance in paragraph 606-10-55-56(a) we propose to introduce into Subtopic 350-40 and that which existed in legacy paragraph 985-605-15-4; we suggest the former because it continues to exist elsewhere in GAAP instead of having been superseded.

GAAP to apply to a single unit of account

In addition to revising how an entity determines whether to account for the software and tangible components as a combined unit of account, we believe the Board should consider whether it may be appropriate to account for a single, combined unit of account under Subtopic 350-40 instead of under 'other GAAP'. As drafted, paragraph 350-40-15-1A only appears to countenance the combined unit of account being accounted for under tangible asset GAAP (e.g. Topic 360). While this may be appropriate in most cases, we are concerned about whether, especially in the future, the software components of a combined asset may be so important thereto that the best accounting would be to follow Subtopic 350-40 instead of GAAP that applies to tangible assets.

The edits that follow reflect both recommendations we have in relation to paragraph 350-40-15-1A. Those in *italics* relate only to the comment in the preceding paragraph, while the remainder relate to determining when a single unit of accounting is appropriate.

> **350-40-15-1A** If an entity acquires an asset that incorporates both software and tangible components, the entity shall account for ~~apply a reasonable and consistent method to determine whether~~ the software component ~~should be accounted for in accordance with this Subtopic or combined~~ together with the tangible component as a single unit of account, ~~*and accounted for in accordance with other generally accepted accounting principles (GAAP) (for example, in accordance with Subtopic 360-10 on property, plant, and equipment)*~~ when the software that forms a component of the asset is integral to the functionality of the asset. *The entity shall determine the generally accepted accounting principles (GAAP) to apply to the combined unit of account (for example, this Subtopic or Subtopic 360-10 on property, plant and equipment) giving consideration to the predominant nature of the combined asset (that is, as software or a tangible asset).*

* * * * *

The Appendix provides our responses to selected Questions for Respondents.

If you have questions about our comments or wish to discuss the matters addressed in this comment letter, please contact Scott Muir at (312) 813-1711 or smuir@kpmg.com, or Kimber Bascom at (212) 909-5664 or kbascom@kpmg.com.

Sincerely,

KPMG LLP

KPMG LLP

Appendix – Responses to selected Questions for Respondents

Overall

Question 1

The amendments in this proposed Update would make targeted improvements to Subtopic 350-40.

a. ***Do you agree with the proposed amendments? Please explain your reasoning.***

b. ***Are the proposed amendments clear and operable? Please explain your reasoning.***

c. ***Would the proposed amendments clarify and improve the application of Subtopic 350-40? Please explain your reasoning.***

With respect to (a) – (c), as and for the reasons outlined in our cover letter, we agree with the objective of the proposed amendments but believe they can be improved along the lines we suggest.

d. ***Do you anticipate that the proposed amendments would result in a significant change in outcome? For example, would the proposed amendments result in the same level of capitalization of internal-use software or a decrease or an increase in the level of capitalization? Is that outcome appropriate? Please explain your reasoning.***

As suggested in paragraph BC18 of the proposed ASU, we believe some entities developing CCA software may expense more – perhaps most – of their software development costs on the basis that significant development uncertainty exists until relatively late in the development process. However, we believe it is hard to predict the extent of the changes in outcomes that would result from the proposed amendments. This is because we believe entities may make different judgments, even in similar circumstances, about whether software features or functions are novel, unproven or unique; what constitutes a 'significant' performance requirement; what level of ongoing revision of a significant performance requirement is 'substantial'; and when a significant development uncertainty is resolved.

If the Board wishes to reduce potential diversity, we believe additional guidance (potentially through additional examples or additional detail in the proposed examples) is needed on how entities should (1) evaluate the identification of significant performance requirements of the computer software (e.g. elaborate on what constitutes a 'significant' performance requirement or a substantial revision to such a requirement) and (2) determine that software being acquired or developed is not novel, unique or unproven as to its functions and features or technological innovations. We believe enhancing conformity around when significant development uncertainty is resolved would likely be achieved by our suggestion to more closely align the proposed amendments with the 'technological feasibility' requirements in Subtopic 985-20.

It may also be useful for the Board to explain what role it believes an entity's development history should play when evaluating probability of software project completion, observing that the factors in paragraph 350-40-25-12A, as drafted, are neither exhaustive, nor required. For example, if an entity has historically completed a very high percentage of projects it has authorized, should that indicate future projects have a higher probability of completion for that entity than for a similar entity with a more limited or less successful development history?

e. ***What costs would be incurred to apply the proposed amendments? If significant, please describe the nature and magnitude of costs, differentiating between one-time costs and recurring costs, as well as whether you expect the proposed amendments to result in any reduction of costs.***

We believe preparers are best positioned to detail the likely costs to implement and apply the proposed amendments; however, we believe all of our suggestions in the cover letter would reduce implementation and application costs by reducing the level of new guidance and judgment necessary to apply the proposed amendments.

f. ***Alternatively, would you have preferred that the Board further pursue the single model as described in paragraphs BC45–BC49? Please explain your reasoning.***

As a conceptual matter, we continue to believe there are substantial merits to a single model for all software costs and that software generally represents a very valuable asset to entities that develop it; however, we understand the significant outreach efforts the Board and its staff undertook that led to the more limited, targeted approach employed in the proposed ASU. At this point in time, we agree with a targeted approach, subject to our comments on improving the proposed amendments.

Removal of Project Stages

Question 2

The proposed amendments would remove all references to software development project stages throughout Subtopic 350-40. As a result, the proposed amendments would require all entities to determine when to begin capitalizing software costs by evaluating whether (a) management has authorized and committed to funding the software project and (b) the probable-to-complete recognition threshold has been met. Do you foresee any operability or auditability concerns with removing the references to project stages? Please explain your reasoning.

For the reasons stated in our cover letter, we support removing references to project stages from the guidance in Subtopic 350-40. We believe this represents a positive modernization of the guidance. We do not believe the specific amendments removing project stage references will create operability or auditability concerns.

Significant Development Uncertainty

Question 3

If there is significant uncertainty associated with the development activities of the software (referred to as 'significant development uncertainty'), the probable-to-complete recognition threshold described in paragraph 350-40-25-12(c) would not be considered to be met. There may be significant development uncertainty if the software being developed has novel, unique, unproven functions and features or technological innovations or if the

significant performance requirements have not been identified or continue to be substantially revised.

a. ***Do you foresee any operability or auditability concerns with determining whether there is significant uncertainty associated with the development activities of the software? Please explain your reasoning.***

Please refer to the discussion of '**Clarify evaluation of significant development uncertainty**' in our cover letter; we believe significant development uncertainty should be considered in all scenarios. In addition, please refer to our response to Question 1(d).

We also believe, as outlined in our cover letter under '**More closely align CCA software cost recognition requirements to those for external-use software'**, that there are revisions to the proposed amendments that would make *resolving* significant development uncertainty more objective and, therefore, more operable and auditable.

b. ***The proposed amendments would define performance requirements as what an entity needs the software to do (for example, functions or features). Is the definition of performance requirements clear and operable? Please explain your reasoning.***

We believe it is important for the definition to refer to features and functions (or functionality), which it does. We do, however, believe the definition could be improved by *explicitly defining* performance requirements in these terms, substantially consistent with how upgrades and enhancements are explicitly defined as additional functionality in paragraph 350-40-25-17A. As examples only, the question arises about what else would constitute something an entity would want or need software to do; we believe features and functions (or functionality) are a *complete* list.

> **Performance Requirements**
>
> Performance requirements are <u>the desired features and functionality of the software.</u> ~~what an entity needs the software to do (for example, functions or features).~~

<u>Presentation and Disclosure</u>

Question 4

The proposed amendments would require an entity to classify cash paid for capitalized software costs accounted for under Subtopic 350-40 as investing cash outflows in the statement of cash flows and to present those cash outflows separately from other investing cash outflows, such as those related to property, plant, and equipment (PP&E). Similar to cash paid for internally developed PP&E, cash paid for software costs could include certain expenditures related to employee compensation.

a. ***For preparers and practitioners, are the proposed presentation requirements operable in terms of systems, internal controls, or other similar considerations? What auditing challenges, if any, do you foresee related to the proposed presentation requirements? Please explain your reasoning.***

In our experience, entities with cash outflows for capitalized internal-use software generally are already classifying such amounts as investing cash flows and, if material, often presenting them separately. Therefore, in general, we do not expect this would present operational or auditing challenges.

b. ***For investors, would the proposed presentation requirements provide decision-useful information? How would this information be used in your investment and capital allocation decisions? Please explain your reasoning.***

c. ***The proposed presentation requirements would not include cash outflows incurred to implement a hosting arrangement that is a service contract. Those cash outflows are typically classified as operating cash flows due to the separate presentation requirements in paragraph 350-40-45-3, which originated in Accounting Standards Update No. 2018-15, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract (see paragraph BC64). Is it necessary to change the current classification of those costs to be consistent with the proposed presentation requirements? Please explain your reasoning.***

We do not believe it is necessary or appropriate to change the current operating classification of cash outflows incurred to implement a hosting arrangement that is a service contract. Our reasoning is based on paragraph BC12 of Accounting Standards Update No. 2018-15, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. That paragraph indicates that an asset recognized for the implementation costs is recognized only as a result of enhancing the value of the hosting service, which itself is not recognized as an asset. Thus, although the implementation costs are recognized as a stand-alone asset, the future benefit derived from that asset is linked to the benefit derived from the hosting service, which is expensed as incurred. We believe that the current presentation requirements for the cash outflows incurred to implement a hosting arrangement that is a service contract are appropriate and commensurate with the nature of the costs incurred and the basis for their deferral and recognition over the 'term of the hosting arrangement'.

Question 5

The Board considered but dismissed two potential disclosures that would have required entities to disaggregate internal-use and external-use capitalized software costs. One alternative would have required an entity to disclose the total amount of internal-use and external-use software costs capitalized during the period. The second alternative would have required an entity to provide a rollforward of the beginning to ending balance of net capitalized software costs (including additions, amortization, impairments, and disposals). These alternatives differ from the proposed cash flow presentation requirements because, among other reasons, they would include both internal-use and external-use capitalized software costs and noncash costs capitalized.

a. ***For preparers and practitioners, how would the operability and costs of these disclosure alternatives compare with the proposed cash flow presentation requirements (described in Question 4)?***

b. ***For investors, how would the decision usefulness of these disclosure alternatives compare with the proposed cash flow presentation requirements? How and when would the information provided by each of the disclosure alternatives influence investment and capital allocation decisions?***

For investors, is the information that you currently receive about capitalized internal-use and external-use software costs sufficient? If not, how would receiving additional information about capitalized internal-use and external-use software costs affect your analysis? How does your analysis differ between capitalized internal-use software costs and capitalized PP&E?

We believe preparers are best positioned to answer (a), while (b) is directed to investors.

However, with respect to disclosures overall, we believe that the Board should:

- eliminate the proposed amendments to paragraphs 350-30-15-3 and 350-40-15-4 that would specifically restrict the scope of the disclosure requirements in paragraphs 350-30-50-1 – 50-3 to external-use software in the scope of Subtopic 985-20;
- specifically state that the disclosure requirements of paragraphs 350-30-50-1 – 50-3 apply to internal-use software subject to Subtopic 350-40; or
- make clear that the reference to the disclosure requirements in Subtopic 360-10 in paragraph 350-40-50-1 applies regardless of whether the software is classified on the balance sheet as PP&E or an intangible asset.

While we believe most entities classify internally-developed internal-use software as PP&E on the balance sheet, *licensed* internal-use software is required to be classified as an intangible asset (see paragraph 350-40-25-17), and at least a very significant portion of all internal-use software for most entities is licensed from third party software vendors (e.g. ERP systems). Therefore, if the intangible asset disclosures in Subtopic 350-30 are explicitly made not applicable to internal-use software accounted for under Subtopic 350-40, we believe disclosures may be lost to financial statement users by the proposed amendments if entities conclude that the reference to Subtopic 360-10 on PP&E in paragraph 350-40-50-1 does not apply to such licensed software.

<u>Website Development Costs</u>

Question 6

The proposed amendments would supersede the guidance in Subtopic 350-50 and incorporate website-specific development costs guidance from that Subtopic into Subtopic 350-40.

a. ***Would the proposed amendments be operable, and do you foresee any auditability challenges?***

b. ***Would the proposed amendments have a significant effect on practice? Please explain your reasoning.***

c. ***The Board considered but dismissed an approach that would have retained Subtopic 350-50 and replaced any reference to stages in Subtopic 350-50 with the term activities (for example, replace costs incurred in the planning stage with costs incurred during planning activities). Would you prefer this approach, and would it be more operable and auditable? Please explain your reasoning.***

We believe the proposed criteria are generally operable, and we do not have concerns about the auditability of the proposed amendments.

We do not see any issues of operability or auditability under either the proposed amendments or the alternative approach described in (c) above. We would not expect either approach to have a significant effect on practice because we believe Subtopic 350-50 is applied relatively infrequently by entities.

<u>Transition and Effective Date</u>

Question 7

The proposed amendments could be applied either prospectively or retrospectively.

a. ***For preparers and practitioners, are the proposed transition requirements operable, and do you foresee any auditability challenges? Please explain your reasoning. If the proposed transition requirements are not operable, please explain what transition method would be more appropriate and why.***

   We believe that the proposed transition requirements are operable, and we do not have any concerns about their auditability. We observe that the transition requirements are consistent with those in ASU 2018-15, which we believe were adopted without significant operability or auditability issues.

b. ***For investors, would the information required to be disclosed by paragraph 350-40-65-4(d) through (e) be decision useful? Please explain your reasoning.***

<u>Private Company Considerations</u>

Question 9

The proposed amendments would apply to all entities, including private companies. Do you agree? Are there any private company considerations, in the context of applying the guidance in the Private Company Decision-Making Framework: A Guide for Evaluating Financial Accounting and Reporting for Private Companies, that the Board should be aware of in developing a final Accounting Standards Update? Please explain your reasoning.

Yes, we believe the proposed amendments should apply to all entities. In this regard, we are not aware of any considerations specific to private companies that should result in a difference in the accounting or reporting for internal- or external-use software costs.