



February 5, 2021

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

Re: December 21, 2020 Proposed Accounting Standards Update, *Business Combinations (Topic 805), Accounting for Contract Assets and Liabilities from Contracts with Customers* [File Reference No. 2020-1000]

Dear Ms. Salo:

The American Institute of CPAs (AICPA) is the world's largest member association representing the accounting profession, with more than 418,000 members in 143 countries, and a history of serving the public interest since 1887. One of the objectives that the Council of the AICPA established for the PCPS Executive Committee is to speak on behalf of local and regional firms and represent those firms' interests on professional issues in keeping with the public interest, primarily through the Technical Issues Committee (TIC). This communication is in accordance with that objective. These comments, however, do not necessarily reflect the positions of the AICPA.

First and foremost, TIC appreciates the Board's efforts to improve the accounting for acquired revenue contracts with customers in a business combination by addressing diversity and inconsistency related to recognition of an acquired contract liability and payment terms and their effect on subsequent revenue recognized by the acquirer. TIC also appreciated the opportunity to comment on a related ITC in April 2019 titled, *Measurement and Other Topics Related to Revenue Contracts with Customers Under Topic 805*. TIC is pleased with the direction the Board decided to take with this ED and believes it addresses most of our previous concerns.

TIC discussed one potential implementation issue whereby the acquiree and acquirer utilized different methods to measure progress on similar revenue contracts prior to the business combination. For example, if the acquiree used an output method while the acquirer used a cost-to-cost approach on similar contracts, the acquirer may want the option to either adjust to its method of measuring progress or continue with the acquiree's practice of measuring the revenue for applicable acquired contracts.

TIC suggests in cases such as this, private companies be permitted to carry-over the acquiree's method of measuring progress on acquired contracts as a practical expedient, as if the acquiree was using an appropriate GAAP measurement method at the time of acquisition.

TIC believes allowing additional time for private companies to adopt this standard is preferable as it will take some time for private companies to put proper policies and procedures in place to ensure compliance with the new standard. TIC suggests using the same approach as taken with other recently issued standards whereby private companies have 2 years from the date the standard is effective for PBEs.

TIC appreciates the opportunity to present these comments on behalf of PCPS member firms. We would be pleased to discuss our comments with you at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "Danielle Supkis-Cheek". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

Danielle Supkis-Cheek, Chair
On Behalf of the PCPS Technical Issues Committee