

January 14, 2025

Technical Director
FASB
801 Main Avenue
PO Box 5116
Norwalk, CT 06856-5116

Email: Director@fasb.org

RE: File Reference No. 2024-ED400

We appreciate the opportunity to provide feedback on the proposed Accounting Standards Update (ASU), *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40)*, dated October 29, 2024. The purpose of the proposed ASU is to modernize the accounting for software costs that are accounted for under Subtopic 350-40, *Intangibles-Goodwill and Other-Internal-Use Software*, and enhance the transparency of an entity's cash flows related to internal-use software costs.

The views expressed herein are written on behalf of the Professional Standards Committee (PSC) of the Texas Society of CPAs. The committee has been authorized by the Texas Society of CPAs' Leadership Council 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' Leadership Council or Board of Directors and, therefore, should not be construed as representing the views or policy of the Texas Society of CPAs.

The PSC is supportive of the FASB's efforts to update and modernize the accounting for software costs and enhance the transparency of an entity's cash outflows related to capitalized software costs. The PSC believes the proposed rules will help simplify the accounting treatment of software costs and align the standards with the way software is currently developed. However, the PSC has the following observations:

- The PSC observes that the proposed ASU defines "performance requirements" but does not provide guidance for determining whether such requirements are significant. The PSC believes it would be helpful if examples can be provided to illustrate whether performance requirements are significant.
- The PSC is supportive of the requirement to present cash paid for capitalized software costs as investing cash outflows in the statement of cash flows. Additionally, if the FASB decides to change the current classification of cash outflows incurred to implement a hosting arrangement that is a service contract from operating cash flows to investing cash flows, the PSC would be supportive, as we believe the nature of those costs is more similar to an investing activity than an operating activity.
- The PSC agrees with the FASB's decision to not require further disaggregation and disclosures of internal-use and external-use capitalized software costs. We believe that the disclosure requirements that were considered and rejected would increase complexity for preparers and practitioners and may not add significant value.
- The PSC supports the proposed adoption methods of the ASU. We believe most of our constituents will choose a prospective basis, as that results in reduced implementation costs, but we believe there may be some who will choose to adopt on a retrospective basis to provide greater comparability across periods.



- The PSC agrees with the FASB's decision to make this ASU applicable to all entities, including private companies. The PSC does not believe significant time will be needed to implement the proposed ASU, but we are supportive of providing private companies extra time as is generally customary, as long as early adoption is allowed.

We appreciate the opportunity to submit comments on the proposed ASU, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40)*.

Sincerely,

A handwritten signature in cursive script that reads "Jeffrey L. Johanns".

Jeffrey Johanns, CPA
Chair, Professional Standards Committee
Texas Society of Certified Public Accountants