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## Apple: Coming New Disclosures for Cloud Setup Fees Too Onerous

Proposed rules related to how companies must account for the cost of moving their information to the cloud will be unnecessarily burdensome and confuse investors, Apple Inc. told U.S. accounting standard setters.

Current disclosure rules for internal use software already provide enough information for investors and analysts, Apple said. More rules aren't necessary, and would only complicate financial reporting with bulky duplication Apple said in an April 12 letter to FASB—part of feedback about new rules coming for cloud setup fees.

The Financial Accounting Standards Board issued the proposal in early March to clarify how companies are to report costs they incur to set up cloud computing systems. Those costs can reach into the millions of dollars, mainly because of the effort required to move data and update systems so that they're aligned to the cloud.

FASB sees the provisions as helping investors better understand costs. The pending rules would have companies disclose details such as the amount of the costs and the periods over which they are spread.

The rules would differentiate between the type and amount of costs that are expensed in one period versus costs being capitalized or spread out over multiple reporting periods, accountants said. Investors use this type of information to analyze a company's quarterly and annual financial obligations.

**Information Helps Investors** “There was at least one example I seem to recall where the entity spent tens of millions of dollars on implementation costs,” Scott Ehrlich, president of Mind the GAAP LLC, an accounting training and consulting firm in West Chester, Pa., told Bloomberg Tax. “Therefore, we think it would be very useful information for users of the financial statements

to understand the types and amounts of costs capitalized versus those that were expensed,” he said.

For those costs that are to be capitalized, said Ehrlich, “it would also be very helpful to know the period over which those costs will be amortized.”

Apple didn't return calls for comment.

**Big Shift to Cloud** Companies are moving to the cloud because major providers such as Amazon.com, Alphabet Inc.'s Google and Microsoft Corp. provide unlimited infrastructure, practitioners said.

“It's a lot more flexible and instantaneous than going to your chief information officer or data center and saying ‘now we have to decide how many more servers we need to buy, plus all the ancillary activity and costs involved with that,’ ” James D'Arezzo, chief executive officer of Conduvis Technologies in Glendale, Calif., told Bloomberg Tax.

“Whereas if you have a contract such as with Microsoft Azure, you can simply say ‘we need to expand, we have a lot more data to store and we want to add more compute power,’ and they say ‘sure we'll have it ready for you tomorrow morning.’ ”

Making the move to the cloud, however, can be expensive. Some companies, particularly those with old legacy software, have to hire consultants, train staff, and follow other necessary steps and processes to ensure their systems can interact with a cloud arrangement. Those costs are separate and substantially higher than the monthly hosting fee paid to a cloud company. Companies, for example, have spent up to \$10 million on implementation costs when the annual hosting fees were only \$1 million.

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