

Accounting for a Software Hosting Arrangement (SaaS) where LUC is the Customer	
Does LUC take possession of the software by meeting both of the following criteria: 1) LUC has the right to take possession of the software at any time without incurring a significant penalty. 2) It is feasible for LUC to run the software on its own hardware or to contract with another party to run it.	
If both criteria are met then	If one or more of the criteria are NOT met then
This arrangement includes a software license and considered “Internal Use Software”	This arrangement is a “Cloud Computing Arrangement” (Vendors may refer to this as Software as a Service”)
Consider the following scenarios and actions:	
Scenario 1: Is this arrangement related to a plan where LUC will sell, lease, or otherwise market software as a separate product or as part of a product or process? ⇒ If Yes: Contact Controller’s Office for further guidance. Software that is developed or purchased by LUC that will be sold, leased, or marketed is accounted for under ASC 985-20, Software: Costs of Software to Be Sold, Leased, or Marketed.	
Scenario 2: Is the software to be used internally for research and development purposes? ⇒ If Yes: Contact Controller’s Office for further guidance. Certain costs associated with software developed for internal research and development activities are within the scope of ASC 730, Research and Development.	
Scenario 3: Was the software acquired, internally developed, or modified solely to meet the LUC’s internal needs? ⇒ If Yes: Follow the guidance of ASC 350-40, Intangibles – Internal Use Software outlined here:	
Record the Software License:	Accounting for the CCA Subscription Fee
Step 1: Record an Intangible Asset and the related liability for software license	Step 1: Recognize expense beginning with the start of the subscription period. Expense is recognized as incurred or as the services are received. LUC may begin incurring CCA subscription fees prior to completion of implementation activities (e.g., in order to migrate data from the existing system to new cloud-based solution). The CCA service fees incurred during this period should not be capitalized as an implementation activity, even if they are incurred prior to completion of implementation
Step 2: Amortize the intangible asset over the estimated life of the software	
Record Software Maintenance & Support	
Step 1: Record expense for the maintenance & support fee over the maintenance & support period	

	On Premise Software Purchase	Cloud Computing Arrangement
Asset:	Intangible Asset – Software License	Not applicable – Amounts related to a CCA arrangement are not recorded in the Fixed Asset System.
Balance Sheet Category:	Included in Land, Building and Equipment as an Intangible Asset	
Amortization Period:	Amortize over the estimated useful life of the software, taking into consideration obsolescence and changing technology. LUC generally amortizes internal use software over no more than X years	
Amortization method:	Straight line	
Expense classification:	Record as Depreciation & Amortization	
	On Premise Software Maintenance & Support	Cloud Computing Arrangement Hosting Fee
Asset:	1810 Prepays (if appropriate)	1810 Prepays (if appropriate)
Balance Sheet Category:	Included in Other Assets	Included in Other Assets
Expense and Statement of Activities Roll Up	6401 - Internal Use Software Maintenance & Support Roll Up: Non-Salary Operating Expense <i>Recognize expense over the maintenance / support period</i>	6415 – Cloud Computing Subscription / Hosting Fees Roll Up: Non-Salary Operating Expense