Date: [Insert Date]

To: Management of [Client Name]

From: [Accounting Firm/Consultant Name]

Subject: Management Letter - Identification of Performance Obligations under ASC 606

Dear Management,

The purpose of this letter is to document our assessment regarding Step 2 of the ASC 606 revenue recognition framework: Identifying Performance Obligations for [Client Name].

1. Scope of Review

We have reviewed the following contracts and revenue streams:

- [Contract/Revenue Stream A]
- [Contract/Revenue Stream B]

2. Technical Analysis

Under ASC 606-10-25-14, a good or service is a performance obligation if it is distinct. A good or service is distinct if both of the following criteria are met:

- **Capable of being distinct:** The customer can benefit from the good or service on its own or together with other resources that are readily available to the customer.
- **Distinct within the context of the contract:** The promise to transfer the good or service is separately identifiable from other promises in the contract.

3. Identified Performance Obligations

Based on our analysis of [Contract Name], we have identified the following distinct performance obligations:

Performance Obligation	Description	Rationale for Distinction
[e.g., Software License]	[Details]	[e.g., Functional on its own]
[e.g., Professional Services]	[Details]	[e.g., Not highly interdependent]

4. Items Not Considered Distinct

The following items were identified in the contract but are not considered separate performance obligations as they are inputs into a combined output or are not distinct in the context of the contract:

- [Item A - e.g., Standard Installation]
- [Item B - e.g., Generic Updates]

5. Conclusion

Management concludes that the identification of the performance obligations listed above accurately reflects the economics of the arrangements and complies with the requirements of ASC 606. These obligations will serve as the basis for allocating the transaction price.

Sincerely,

[Your Name/Signature]
[Your Title]

Management Acknowledgment:

Accepted by: ___________________________ Date: __________