
Bill Thompson
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net amount charged to earnings. The first full paragraph on page II-46 discloses only the total reduction in sales due to returns of \$1,865 million and does not include the amount for the associated reduction in cost of sales. The difference between the \$1,865 million and the \$1,051 million is the amount of associated reduction in cost of sales. In providing our disclosure in this manner, we have presented both the gross amount of the total reduction in sales due to returns and the net amount charged to earnings, which includes both the total reduction in sales and the reduction in cost of sales.

As disclosed on page II-43, we adopted ASC 606 using the modified retrospective method. Comparative information was not restated and continued to be reported under the accounting standards in effect for those periods. Accordingly, the table of activity in the allowance for sales returns on page II-46 was not restated for 2016 and 2017. The information contained in the table for 2018 was prepared in consideration of ASC 606 and a footnote was provided in the table to make clear to the financial statement users that only 2018 incorporated the impacts of ASC 606. All amounts included for 2018 represent gross amounts related to the activity for the refund liability in light of ASC 606 explicitly requiring entities to record both a refund liability and an asset for its right to recover products from customers on settling the refund liability. For example, the beginning balance in 2018 is not equal to the ending balance for 2017 and the difference is that the beginning balance for 2018 is the gross amount of the refund liability whereas prior to the adoption of ASC 606 such amount would have included both the refund liability and the asset on a net basis. As noted in our discussion above, we recognize the amount included in the table for 2018 and the amount included in the first full paragraph should be equal but were not due to an inadvertent inconsistency and such amount will be updated as previously discussed.

Bill Thompson
Securities and Exchange Commission
July 26, 2019

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If you have any questions with respect to the foregoing or require further information, please contact the undersigned at (720) 875-5437.

Very truly yours,

/s/ Brian J. Wendling
Brian J. Wendling
*Senior Vice President, Controller and
Principal Accounting Officer*

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