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Mr. Tim Lucas
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Letter of Comment No: 7 File Reference: 1050-001 Date Received: 3/28/02

PROPOSED AGENDA PROJECT

Dear Mr. Lucas:

Thank you for the opportunity to respond to the Proposal for a New Agenda Project – Issues Related to the Recognition of Revenues and Liabilities.

We agree that the FASB should address the differences between the broad interpretations of revenue recognition in Concepts Statement No. 5 and the detailed guidance provided for specific industries and transactions. Likewise, the characteristics of revenues and gains provided by Concepts Statement No. 6 carry insufficient guidance to address many current business issues. Although there is guidance to address specific transactional and industry issues, those economic issues not covered by a specific pronouncement often have insufficient guidance. Accordingly, we agree that the FASB should address these inconsistencies and form a bridge between the conceptual guidance and the industry-specific rules.

However, the FASB has also suggested that the project should include amending the definition of a liability as provided by Concepts Statement No. 6 and the criteria for liability recognition as provided by Concepts Statement No. 5. Since the FASB has an objective to provide effective guidance to bridge the gap between the conceptual definitions and the industry- and transaction-specific practices, the addition of such a vast proposal would weaken the ability to achieve that goal. The time that would be required to address both portions of the proposal would sharply delay the development of reasonable and timely guidance. The FASB will streamline the process by taking more manageable groupings of concepts and issues rather than combining projects. Therefore, we do not agree with the suggestion to expand the scope of the revenue recognition project to address liability recognition issues as well.

The FASB's recommendation to separate this project into two different facets offers a logical method of development. Addressing the project from a "top-down" approach to identify issues with the Concepts Statements, as well as using a "bottom-up" approach to summarize a comprehensive listing of detailed guidance provided by the various pronouncements, will provide the most reasonable and conclusive method for addressing revenue recognition issues.

Comments on the specific issues raised in the Proposal are attached. Thank you for the opportunity to respond.

Regards,

Frank H. Brod

Vice President and Controller The Dow Chemical Company

Attachment

Question 1: Is there a need for the FASB or others to comprehensively address issues associated with the recognition of revenues and liabilities? If yes, should the FASB take on such an effort or defer to others? If so, to whom?

Response: We agree there is a need for the FASB to address issues associated with the recognition of revenues. In particular, we believe the project should focus on addressing the discrepancies between the broad conceptual guidance and the industry- and transaction-specific rules. We do not agree, however, that there is a need to address the recognition of liabilities with this project.

Question 2: Is the proposed scope of such a project as described in this proposal insufficient, appropriate, or too ambitious?

Response: The proposed scope is too ambitious. The addition of addressing liability recognition to the project makes it too broad to allow for a timely and relevant guidance to be provided. The scope of the project should be limited to addressing only the recognition of revenues.

Question 3: Should specific issues identified above or in the appendix be excluded from the scope of the proposed project? If yes, for each specific issue, please indicate whether it should be addressed as a part of another FASB project, by others, or not at all and why.

Response: As stated above, the issues associated with the recognition of liabilities should be removed to allow for timely and relevant guidance to be provided. The scope of the project should remain as only addressing revenue recognition efforts.

Question 4: Should specific issues *not* identified above or in the appendix be addressed as part of the proposed project? If yes, please describe the specific issue and indicate why it is sufficiently crucial that it should be addressed as part of the proposed project.

Response: No additional issues should be addressed as part of this project.

Question 5: Should the proposed project, in addition to developing a new, general accounting standard on revenue recognition and revising the related guidance on revenues and liabilities in Concepts Statements 5 and 6, develop a new, general accounting standard on liability recognition?

Response: The development of a new, general accounting standard on liability recognition should not be included in the scope of this project.