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Mr. Timothy S. Lucas
Director of Research and Technical Activities
FASB
401 Merritt 7
Norwalk, CT 06856-5116
director@fasb.org

RE: Request for Comments: Issues Related to the Recognition of Revenues and Liabilities

Dear Mr. Lucas:

Thank you for the opportunity to comment on the FASB's consideration of adding to its agenda a topic to examine the recognition of revenues and liabilities. Let me begin with a general observation that, yes, I believe the FASB should examine the issue of revenue recognition. However, I am not certain that it also needs to examine liability recognition/definition in the same project. Indeed, the FASB has another project underway (liabilities and equity) which is examining significant issues surrounding the definition of liabilities. As such, I am not convinced that it is necessary to "muddy the waters" regarding revenue recognition by adding the issue of liabilities to it. If there are problems with the question of what to do with the "credit" if it isn't revenue yet, the FASB could simply opt for its fallback position—other comprehensive income—which it has used in other projects when it was not clear what to do with the other side of the entry.

Having said that, let me respond to the specific questions raised in the Request for Comments:

1. Yes, there is a need for someone to undertake a comprehensive review of revenue recognition for the reasons cited—especially the inconsistencies that exist in the literature. Since this would mean that certain standards would need to be amended or superseded in the process, it seems that only the FASB

has the authority to do so (to the extent it would amend an FASB standard) and, thus, would be the appropriate body to undertake such a project.

2. As indicated above, I believe the FASB should restrict the scope of this project just to the issue of revenue recognition and not include within the scope of this project, the issue of liability recognition.
3. The major portion of the proposal I would exclude is the last section labeled "Issues Primarily Related to Liabilities." I would address them in the liabilities and equity project (where the FASB has proposed a change in the concepts Statement definition of liabilities).
4. The point that the proposal makes about international issues is critical. As the Board well knows, the IASB has revenue recognition on its agenda and it would seem to be imperative that the Board work closely with the IASB on this project. Additionally, unless there is some clear indication that the conclusions of the SEC are fundamentally flawed, I believe that SAB 101 (and the related FAQ) constitute an excellent starting point for the FASB's deliberations.
5. No.

Again, thank you for the opportunity to comment on this proposal.

Sincerely,

Paul Munter