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Mr. Timothy S. Lucas
Director of Research and Technical Activities
Financial Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856-5116

Re: FASB Project Proposal

Dear Mr. Lucas:

Sears, Roebuck and Co. is writing to provide its views on the proposal to add a project covering *Issues Related to the Recognition of Revenues and Liabilities* to the FASB's agenda. We support the addition of a revenue-recognition project to the Board's agenda whose primary purpose would be to codify current guidance in this area, including the myriad of industry-specific rules, EITF issues, and SEC Staff Accounting Bulletins. The project should bridge the gap between the conceptual guidance and detailed guidance in this area to produce a single, clear and comprehensive authoritative source for revenue-recognition accounting guidance.

We do not believe such a project should be used to reconsider areas where long-standing rules already exist and are generally accepted. As an example, revisiting whether the right of return should preclude revenue recognition is not necessary or useful. Similarly, an inordinate amount of time should not be spent on efforts to assess the operationality of the conceptual framework. Though, we do believe a conclusion needs to be reached regarding whether accounting should focus foremost on an entity's financial position at a given point in time or on the convention of properly matching performance costs with associated revenues.

Given its potential magnitude, it appears appropriate to complete the revenue-recognition project prior to embarking on the development of new guidance for liability recognition. We agree with FASB that the revenue project is of greater relative importance and should be conducted in advance of work on liabilities.

We offer the attached responses in regard to those specific questions raised for comment.

Sincerely,

Thomas E. Bergmann
Vice President and Controller

att.

Attachment

Issue 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?

As noted in our cover letter, we believe the FASB should address revenue recognition with the goal of codifying guidance in this area. This work should be completed prior to embarking on a project to address liability recognition. Additionally, we believe the due process and public involvement required by the project given its scope makes the FASB the proper standard-setting body to address these issues.

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

See above response. We feel the emphasis should be on completing the revenue recognition project prior to the liability project. Also, we believe the emphasis should be on codifying the guidance in this area. Determining the operationality of the conceptual framework should not be the primary focus.

Issue 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 part of another FASB project, by others, or not at all and why.

See above comments regarding our view as to the appropriate focus of the project.

Issue 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.

No.

Issue 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?

See above comments regarding our view as to the appropriate focus of the project.