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To: FASB
Technical Director
File Reference No. 1660-100

RE: Preliminary Views on Revenue Recognition in Contracts with Customers Discussion Paper

The Accounting, Auditing and Review Standards Committee has read the Discussion Paper on Revenue Recognition and has prepared this letter as a response to the proposed guidance. We have the following responses to the questions included in the discussion paper:

- S31. The Board seeks comment on whether the revenue recognition model proposed in this Discussion Paper would provide clearer guidance for determining when revenue should be recognized. The Board is also seeking comment on whether revenue recognition would be more consistent and comparable for contracts across industries.

We find that the guidance provides little in the way of specifics about the application of this guidance. This may have been the intention of the Board in order to make the guidance applicable to as many industries and transactions as possible. However, this guidance leaves a good deal open to interpretation, which could allow inconsistent application among similar companies. This could significantly reduce comparability of financial statements. In addition, we feel that creating one revenue recognition pronouncement for all industries may make the guidance too generic to be useful to the preparers and users of financial statements.

We also have concerns about how susceptible a contract-based revenue recognition pronouncement would be to manipulation. Contract terms can be modified by companies in order to manipulate the timing of revenue recognition. This could reduce the usefulness of the financial statements as the statements would no longer mimic the economic realities of the preparer.

An additional concern we have is the lack of specific guidance around the allocation of the transaction price to separate performance obligations. The Board states that standalone selling prices are to be used to allocate the transaction price but does not prescribe a method of calculating the standalone selling prices nor does the Board limit the use of estimates in this calculation. We feel that not prescribing a method of calculating the standalone selling prices and the use of estimates in that calculation leaves the allocation of transaction price open to abuse. Preparers could use the

allocation of transaction price to manipulate the revenue recognition stream. We feel that if the Board does not prescribe a calculation method or limit the use of estimates in that calculation of the standalone selling prices then preparers must be required to disclose the method of allocation and the role of estimates in that calculation.

We would like to thank the Technical Director for the chance to comment on this discussion paper. Should the Technical Director have any questions or comments related to this letter please do not hesitate to write us back.

Respectfully,

Laura Lindal CPA
Chair, WSCPA AARS Committee

On behalf of
Accounting, Auditing and Review Standards Committee
Washington Society of CPAs