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Technical Director, FASB, File Ref No 1820-100, director@fasb.org

Robert J Parsons, Revenue Guy, Silicon Valley

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Dear Sir/Madam,

I have been focused Software, Online, Hardware, and Services revenue since 1997, and have reviewed or negotiated over 3,000 contracts for compliance with SOPs 81-1, 97-2 & 98-9, SAB 104, EITF 00-21, and other relevant literature. I have done many closes, booked many deals, and been involved in many accounting system implementations to handle the intricacies of Hardware and Software revenue and its associated and ever changing rules.

These rules have been progressively improving, as evidenced by the good and workable rules and methodologies prescribed in EITF's 08-1 and 09-3.

The current proposed standard, however, is like using a WMD to kill a mouse behind the refrigerator. It's a cure far worse than the problem. Perhaps this should be called the "Onerous Reporting Burden" standard. And do we want to apply Retrospective Application to Changes in Accounting Estimates?

By now, you have read the hundred plus comments, largely in opposition to many or most of the provisions in the new standard. There are some particularly good ones: #8 by Baker Concrete, discussing the complexity of construction contracts; #9, by Sartorius, discussing Warranty issues; #46, by Novell and # 106 by Intel, discussing the real life considerations of the software industry.

As I'm late to the comments game, I've been beaten to the punch by the prior comments, but I'll put in my two cents plus add some that went missing.

Re: IN16, Variable Consideration: We already have the Bad Debt Reserve, and Deferred Revenue for Undelivered Elements and for Rebate Liabilities. These already work well, are well understood, and are built into the existing processes and systems. This adds neither clarity nor certainty.

Re: IN19, Allocation: Updating the transaction price over the life of the contract? It's hard enough to book it the first time, and the volume of transactions to be revisited might number in the millions, Compounded Quarterly!

Re: IN25(b), Separate Obligations: Excess granularity of deliverables and performance obligations will cause pervasive use of estimates and create far more work and recording expense, while decreasing understandability and comparability.

Re: IN25(c), Exclusive vs. Nonexclusive: This says, "...an entity would be required to recognize revenue over the term of the license." The problem here is that virtually all licenses are Perpetual, (because the technology is embedded in an end product and permanently owned by the end user) meaning that the revenue would be recognized from now to infinity. This clause prevents revenue recognition, ever. If you must include such the clause, it must be amended from "term of the license" to "term of the

contract". Regardless of the form this clause could however cause gamesmanship as we trade off the benefit of a short term/recognition period, with the advantage of the below-market optional contract extension periods suggested in the proposed standard. This clause needs to be well integrated with sections IG33 (sale vs. license), IG 34 (Straight line term recognition), IG-35 (non-exclusive sale) and BC222 (sale vs. license). The proposed terms "Exclusive" and Non-Exclusive" are not the most correct or useful concepts as related to revenue recognition and timing.

Re: IN25 (d), Credit Risk: Credit Risk, when combined with the Bad Debt Reserve Account, is essentially Zero. Why mess with a good thing?

Re: IG3, Contract Modifications, Example #2: The term "Contract Modification" is what we call under the current standard," a Concession". Concessions are the death knell of VSOE of FV, especially when they are applied to the only element not yet fully delivered some years into the contract, PCS. In Ex #2, Scenario 1, the \$20,000 year 3 concession (presumably given only to obtain the new business) is used as evidence of why the two contracts are NOT price interdependent! Scenario #2 continues the muddied logic. As EITF 08-1 applies only to non-97-2 deliverables, this whole section on Contract Modifications leaves me quite perplexed. How to I maintain FV for PCS if I can give concessions years later?

As to the questions, the general consensus is "No", and the reasons are well documented by many other respondents, so I will comment on only Q15, Warranty.

The distinction between latent defects and other defects is difficult to make given the complexity of the products involved in the High-Tech industry. In many cases, products from one manufacturer are embedded into the final product, and the End-User may have purchase specs requiring a certain length of warranty, and this warranty may need to run back up the line to the component manufacturer. As warranties are never sold separately, there is no VSOE or observable TPA of the price of such warranty. At one computer chip company I worked for, warranty cost including Engineering Failure Analysis was only 6/100 of 1% of the sales price. This is just part of building the product, and sales price will never be known. That's why we use a Warranty Reserve. We need the flexibility to adjust the Warranty Reserve to provide any length warranty that's consistent with the life of the product in order to meet the needs of the customer, and to keep American manufacturing competitive in the world market.

More than that, we need a full set of revenue rules that leave us and our sales people able to say "Yes!" to the needs of our domestic and international customers. EITF's 08-1 and 09-3 were steps in the right direction. This proposed guidance has clearly lost its way.

Sincerely,

**Robert Parsons**