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Mr. Timothy S. Lucas
Director of Research and Technical Activities
Financial Accounting Standards Board
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Issues Related to the Recognition of Revenues and Liabilities

Dear Mr. Lucas:

We are pleased to comment on the FASB's January 28, 2002 request for comments on a Proposal—*Issues Related to the Recognition of Revenues and Liabilities* (the "Proposal"). We believe that there is a significant need for a single comprehensive standard that addresses revenue recognition to fill the void in the accounting literature that exists currently. The guidance that does exist is a mixture of unrelated or loosely related principles that was developed ad hoc, primarily to address narrow areas or industry-specific areas of revenue recognition. It is overly complex and unnecessarily voluminous. It can result in similar transactions across different industries and transactions having similar economics being accounted for differently because the varied guidance contains conflicting or competing models.

We believe that the majority of the issues that would be considered in the Proposal are not unique to the United States, therefore, the project provides an opportunity for a cooperative effort with the International Accounting Standards Board (IASB) and perhaps other national standard setters, and such effort can lead to increased convergence of standards globally. We support any opportunity to converge around high quality standards; however, we also believe that the FASB should ensure that a cooperative undertaking could be completed in a timely manner.

We believe the objectives of the Proposal should not be simply to develop a general standard on revenue recognition to fill the void that exists currently and to reconcile or eliminate competing revenue recognition guidance. We believe there should be two main objectives: to develop a standard that can be accepted on a global basis and can be understood and applied uniformly to different revenue generating transactions across industry lines. To obtain acceptance on a global basis, it will be necessary to limit the complexity of the standard and to eliminate unnecessary detailed guidance. To be understood and applied uniformly to different revenue generating transactions across industry lines, the standard must be based on clearly articulated principles anchored to the



conceptual framework. We are not suggesting that a principles-based approach is void of guidance. A requisite level of guidance and perhaps some level of detailed guidance is necessary. However, we believe that considerable complexity and detailed rules can be avoided by developing a revenue recognition standard that is aligned under a central principles-based framework and by avoiding unnecessary exceptions to that framework. To meet the primary objectives, we believe it is essential to identify the underlying central principles that form the foundation for recognizing all types revenue generating transactions and ensure that those principles are clearly anchored to the conceptual framework.

We support an approach that starts with convergence around a uniform conceptual framework. We recognize the need to eliminate inconsistencies that exist between the revenue definition in FASB Concept Statement No. 6, Elements of Financial Statements, and the revenue recognition criteria in FASB Concept Statement No. 5, Recognition and Measurement in Financial Statements of Business Enterprises. We understand the necessity of eliminating or at least reconciling differences between revenue recognition and liability recognition to avoid conflicts that result from overlapping definitions. The elimination of these inconsistencies within the conceptual framework coupled with convergence around a common conceptual framework with the IASB in particular and with other major standard setters can provide a common foundation for the development of revenue recognition standards that can be applied uniformly around the world. In the interest of expediting the development of a comprehensive revenue recognition standard, we thought it might be desirable to split the revenue recognition and liability recognition initiatives into two projects. However, we believe changes to the conceptual framework have to be developed by considering both revenue recognition and liability recognition issues simultaneously.

We agree with the view expressed in the Proposal that the FASB should also consider whether certain issues should be addressed as part of other agenda projects, e.g. Reporting Information About The Financial Performance of Business Enterprises: Focusing on the Form and Content of Financial Statements. Issues related to the presentation of revenues and the reporting of gains versus revenue might be addressed in that project.

We believe that, given the significant scope of the project, the far reaching impact of any conclusions, and the countless number of entities and transactions that will fall within the scope of the Proposal, the FASB should consider forming a working group to provide insight into the application of the Proposal as it develops. We would be pleased to provide a volunteer to serve on the group.

If you have any questions concerning our comments, please contact John T. Smith at (203) 761-3199.

Yours truly,

Deloitte & Touche