

October 21, 2010

Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Attention: Technical Director
File Reference: **No. 1820-100**

Dear Sir / Madam:

It is a privilege to be given the opportunity to provide personal comments on the aforementioned file.

I am a former employee of one of the “Big 4” accounting firms where there were many opportunities to discuss when a standard may or may not be applicable to a client’s situation.

This experience illustrated how the standards, with their respective clauses and exceptions promulgated by the Financial Accounting Standards Board (“FASB”), can lead a reader to confusion, misinterpretation and, in some instances, alleged misrepresentations within financial statements. Understandability should prevail over readability.

I agree there is a need for just one set of accounting standards as business communities continue to forge ahead conducting business affairs in the international market, regardless of industry, size, or location. Thus far we have seen the International Accounting Standards Board (“IASB”), implement certain standards referred to as the International Financial Reporting Standards (“IFRS”). In several instances, companies have already decided to adopt IFRS prior to the impending date of institution. Despite the IFRS that have been implemented, further standards need to be addressed for acceptance in the global marketplace. One such standard is

the Proposed Accounting Standards Update in the Exposure Draft for Revenue Recognition (Topic 605), Revenue from Contracts with Customers.

My comments on the Exposure Draft are attached in Appendix. I attempt to demonstrate that in many respects the requirements for revenue recognition are too general and call for further clarification. The comments herein are founded on my personal experience and knowledge, together with research conducted surrounding the Proposed Guidance for Revenue Recognition issued by the IASB.

Thank you for considering my submission.

Yours truly,

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Comments on “Disclosure (paragraphs 69–83)”

Question 10: *The objective of the Boards’ proposed disclosure requirements is to help users of financial statements understand the amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Do you think the proposed disclosure requirements will meet that objective? If not, why?*

Sabourin response:

The Boards’ objectives for the proposed contract disclosure requirements are easily obtainable measurements for most entities. Although, when referring to the section Disclosure, Paragraphs 69 through 83, in the Proposed Guidance, the word “entity” is used throughout in generic form to describe all businesses, (i) regardless of size; (ii) the nature of its business (industry); or (iii) whether the entity is private or public. The Proposed Guidance suggests a ‘one size fits all’ directive; though taking into consideration the preceding three elements, this may be viewed as problematic.

The categories found in Paragraph 74 for contract disclosure requirements are open to vagueness in interpretation. Paragraph 74 states, “An entity shall disaggregate revenue into the categories that best depict how the amount, timing, and uncertainty of revenue and cash flows are affected by economic factors.” These are:

“(a) type of good or service (for example, major product lines);

(b) geography (for example, country or region);

(c) market or type of customer (for example, government versus nongovernment customers); or

(d) type of contract (for example, a fixed-price versus a time-and materials contract).”

If an entity does not meet the preceding contract disclosure requirements as seen in Paragraph 74, what alternative requirements does the IASB propose to ensure entities are complying with IFRS?

The expectation is seemingly unobtainable for certain entities to “disaggregate revenue into the categories that best depict how the amount, timing, and uncertainty of revenue and cash flows.”

The following two examples endeavor to support the argument ‘one size does not fit all.’

Example A: a fourth-generation farm where the custom is to set up a produce stand on its property as well as selling to the local general store or non-franchised supermarket; amongst these small-size entities, conducting business is on a transaction-to-transaction basis not requiring written contracts. This small entity could be located in “small town America” or a “mountain village in Switzerland.” Despite the size or location of Example A, it is a private entity transacting with other private entities on a non-global basis and without the need for written contracts. Why should this entity be required to comply with IFRS?

Example B: an aerospace technology corporation employing 45,000 globally, its business conducted with local government agencies, global public conglomerations, or medium size local-

market private companies; all transactions are based solely on written contracts. This global entity could be located in ‘small town America’ or a ‘major metropolitan city in Switzerland’. Regardless of the size or location of Example B, the fact is this global entity would be transacting with government, public or private entities, while exercising conditions in a written contract. Why should this global entity’s non-governmental or non-public suppliers and/or vendors be required to detail in the disclosure requirements specific information about said suppliers and/or vendors?

These two examples present diametrically opposed scenarios. However, Example A illustrates how due to size and type of industry certain factors required in contract disclosure for reporting revenue recognition cannot be respected. Because contracts are non-existent in Example A, how will this entity report revenue recognition in order to abide by the requirements suggested in Paragraph 74?

Example B demonstrates how this global public entity would be furnishing information from an assumed confidential agreement between two parties, where one could possibly be a private medium-sized local market business contracting with the global public entity’s local office. With this information now available in a public forum, how can any entity, private or public, reserve the right to restrict access to its competitors from obtaining the knowledge found therein?

As the Proposed Guidance does not allow for exceptions, how will either Example A or Example B be expected to comply with the requirements of contract disclosure for revenue recognition, should it be approved?

My comments and questions to the Exposure Draft for Revenue Recognition employ two exceptionally different scenarios, and, if the standards in the Exposure Draft are approved, these fictional entities would both be required to fulfill the same criteria when reporting Revenue from Contracts with Customers.

I believe my opinion regarding disclosure requirements, as seen in Paragraphs 69 through 83, indicates how the guidance which IASB has disseminated is too general and requires further clarification.