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Via email: director@fasb.org

Technical Director File Reference No. 1820-100. Financial Accounting Standards Board 401, Merritt 7 PO Box 5116 Norwalk, CT 06856-5116

Re: Comments for Reference No. 1820-100 for the Public Due Process to the Exposure Draft ("ED") of a proposed Accounting Standards Update of Topic 605 issued June 24, 2010, due October 22, 2010 regarding Revenue from Contracts with Customers

Dear Sir and The Board Members of the Financial Accounting Standards Board ("FASB"):

Thank you for accepting my comments as a part of the public due process to the ED of a proposed Accounting Standards Update of Topic 605 for Revenue from Contracts with Customers and in effect improving defining Revenue Recognition. Thank you also for choosing this as a project object to remove inconsistencies in the definition for revenue recognition and improve or upgrade this definition and its public financial reporting that would serve to improve earnings quality and to thwart that erosion away from accrual basis accounting in which revenues must realize to cash in the earnings cycle (1). Although for all companies, earnings quality would be improved to adhere to the recognition of revenue (from contracts) only if certain that those revenues would realize to cash in the earnings cycle, especially for financial sector companies, which when management recognizes revenue in the Income Statements, reporting only those contracts' revenues that realize to cash also vastly would improve operating cash flows.

Although this comment is not my forum to urge the cease and desisting of bank management from continuing to engage in the abusive contracting of Over the Counter ("OTC") derivatives, an activity which management in effect can claim any value it desires on those contracts and use those values to game their Income Statements, Fair Value accounting has aided and abetted this agency abusive activity. De facto it also has helped to anoint bank management to a level of power and piracy virtually no one outside of senior bank management may enjoy - the power to print money via changes in Balance Sheet items enjoying Income Statement access which become real money for agency while this reporting scam fails to produce real cash flows which at one point or in one way or another end up being subsidized by society.

With my comment I am urging repairing to defining Revenue Recognition, that in as much as possible avoids the flaws and weaknesses of Fair Value ("FV") and its discretionary power agency commandeers for its own self interests, while in the use of accrual basis accounting incorporated into the definition for Revenue Recognition, the improvement to the reporting model will serve as a checks and balances against agency reporting and valuation abuses, while the reporting model too will improve in abstaining from aiding and abetting moral hazard of at some point society having to fund the cash flow needs of aggressive users of FV polluting revenue recognition and the financial reporting model.

FV is way too agency friendly and accommodating, and unless it disciplines management rather than impuning it, the reporting model will continue to facilitate producing financial collapses because FV accounting allows bank management to operating in cash parasitic activities as if these activities are profitable when they're not, and enables management to engage in these contracting activities that in order to have liquidity, the banks have to resort to repo and commercial paper activity, rather than have quality Net Income which provides sufficient operating cash flows that enable the banks to operate in safe and sound conditions (typically regulators annually examine all depository institutions for safety and soundness, capital adequacy and related matters to operating according to regulation to guide operating those sorts of companies. Smaller banks would be sanctioned if they ran as poorly as the bigFinancials relying heavily on repo and CP funding). In the 1980s many distressed thrifts engaged in short term borrowing while lending long - other balance sheet activity that had a longer maturity than their funding. Our bigFinancials currently are engaging in similarly flawed strategies; meanwhile the current reporting model with FV corruption enables bank management to enjoy this legal thievery, again while directly or indirectly society is shouldering the (liquidity) costs especially during the last self-engineered – so-called *crisis*.

Management and the regulators and the Fed knew the 'crisis' was coming down the pike, but while everyone was happy and getting what they wanted during the credit bubble, no one cared to stop the problems, referring to a comment Chris Whalen made to me at a PRMIA event in late March 2007 at the American Enterprise Institute, when I asked him knowing that these things happen when the business and government hand-in-glove engineer what to everyone else seems like an unintended consequence but a few shrewd people in and out of government know how to manipulate the system to obtain their selfinterests, their *gravy train* as an intended consequence they knew how to craft.

When I asked him in this case, Qui bono, with what may come out of Washington as a response to the crisis we knew to be brewing, he said, that no one was interested to stop what was happening while everyone was happy with what they were getting.

The reporting model was and is a part of the problem until some serious weaknesses are addressed. Those weaknesses will not be resolved by adoption of IFRS nor by 'harmonization' of US GAAP to give us high quality, global reporting if management can say its balance is worth \$ this guarter more than last guarter and enjoy that FV gain in the Income Statement as if it is a real revenue when it is not nor as an FV gain is it producing cash flow.

Introduction:

For the Record. Although Bob Herz and I had had a number of debates about my concerns for weakness in the Definition for Revenue Recognition according to Concept 6 in the Concept Statements of US GAAP, I was sorry to learn of his departure from the Board. His work with former co-worker Eccles Fair Value Revolution I found very insightful although also I was very concerned about the power and risk of agency and advisor abuse by their discretionary influence on financial reporting themed in that publication.

Moreover, given the unique nature of industries in our society, perhaps there is a single, contract based definition for revenue recognition because the laws and codes for contracts and contracting occur throughout our commercial framework. In the case generally for improving the definition for revenue recognition. I find this important because in 2007 while the world's and the US' largest financial institutions had declared record breaking earnings, much of their true cash flow was not from operating activities or from a clean Net Income number unpolluted by unrealized non cash gains run through the Income Statement the current financial reporting model permits management to use to run through the Income Statement. In 2008 when the financial markets began a necessary correction, however apparently all the record breaking earnings reported by the bigFinancials failed to produce sufficient operating cash flows that would enable them to survive what the correcting markets also would produce, a downward valuation in the 'trading' books of their Over the Counter Derivatives contracting which when those realized or unrealized non cash gains or losses were 'recognized' in the Income Statement, those recognitions on a reporting or real basis produced bankruptcies at our largest banking and financial institutions. These rely on deposit insurance as well as prudential management conducting itself supposedly in operations that satisfy safety and soundness regulations established for them by our federal legislation and our financial regulators. Moreover, a bank's balance sheet cannot be tied to the 'markets'. There is nothing safe or sound about that nor does market influenced valuations of a bank's balance sheet give us depository institutions run in safe and sound conditions or where the efforts of management to operate in safe and sound conditions that maintain capital adequacy bring us to where that should be market influenced when in if it is, what would cause that conflict and risk of the market's fickle nature having any impact on a bank's balance sheet when they're not directly related. They're only 'related' or a bank is only influenced by market fluctuations, if bank management conflicted the bank to that capricious economic thermometer.

I have been employed for a number of years as an analyst serving in various roles analyzing financial sector companies which also motivates my interest in the problems in the financial sector and where inconsistencies between the Concept 5 versus Concept 6 definitions for Revenue Recognition as well as other weaknesses in IFRS and US GAAP aided and abetted this ongoing financial sector debacle not too dissimilar from Enron's and the Dotcoms' collapses. Moreover, I serve on the Committees for Improved Corporate Reporting and Corporate Governance/Shareholder Rights at the New York Society of Security Analysts ("NYSSA"), although my comments do not reflect those of my committee members nor the other members of the NYSSA. My comments reflect my professional experience, while also having dealt with RAP and US GAAP data reported by financial companies of various types and what serves as the data and reporting the public observes on the sector and its individual constituents. Although a user of financial statement information, to speak to Mr. Schieneman's November 2002 concerns about whether the Concept 5 definition for revenue recognition's performance component would improve predictive value of financial statements. No disrespect to Mr. Schieneman's observation, however stakeholders are best served for financial accounting to report the true commercial status of the enterprise; the stakeholders using that financial information may draw their own conclusions about the enterprise's future but with superior quality reporting of that economic status.

Although my comments regarding "Revenue from Contracts with Customers" will address what the Board has in this ED, I also at times will comment and in this case criticize the proliferation and agency abuses of Fair Value ("FV") accounting especially when management used(s) it to contribute to reporting revenues and gains in the Income Statement that do not realize to cash in the earnings cycle.

Fair value also assumes there are various sorts of markets and pricing comparables for the balance sheet items that management at its discretion wants to recognize some sort of unrealized or realized gain as *sic* a 'revenue' item from its activities including its implicit or expressed contracting.

Although this exposure draft has made some effort to define agency (or owner) performance, but for the record although not the point of this ED, but key to addressing my concerns about financial sector and associated Enron-esque/dotcom problems of unrealized non cash, agency claimed gains, recognized as revenue in the Income Statement, that even inflation alters the 'value' of a balance sheet item that agency using FV can claim its 'gain' is a (unrealized, non cash) gain and that impacts what flows through to earnings.

Given what I've described for the following reasons I vigorously opposed what were some of the problems in Concept 6's definition for Revenue Recognition that agency by way of discretionary power in Concept 6 can advantage its self interests and self dealings, and again FOR THE RECORD, I urge the elimination of this weakness in Revenue Recognition's definition. The central bank can inflate the money supply and agency by way of FV of balance sheet items can enjoy gains in their Income Statement reporting when under Concept 6 management can run through the Income Statement the unrealized non cash gains of changes in Balance Sheet Items. Bank management uses this to goose earnings while also hiding its losses its commercial banking activities.

Meanwhile comp and associated metrics for that often are based on Income Statement items which can be inflated and skewed to misrepresent the true economic and commercial status of the enterprise. The highest quality reporting model would not want to favor management self interests and self enrichments to the detriment of all others in society when the social and financial costs of agency abuse produced in 2008 and early 2009, gave us the financial system shut down. Again the reporting model has to cease and desist from anointing bank management from its piracy power it is enjoying when it is engaging in its OTC derivatives contracting which given the abuse and the crippled institutional framework that the flaws and problems of the current reporting model aids and abets, all our wallets are on the line for bank managements' piracies and 'free' lunch OTC derivatives contracting really flourishes.

I suggest that Concept 6 definitions (Changes in assets and liabilities) for Revenue Recognition that enable management or the reporting model to recognize as 'revenue' the unrealized non cash gains of Balance Sheet Items through the Income Statement is a form of contemporary Feudalism. In truth if a Balance Sheet item's FV is run through the income statement isn't a rent, we're looking at even something more insidious than feudalism, which in that historical period that those living on land – the Fief' – understood they were in a relationship with its feudal lord. This is obscured in our contemporary society in the US, but the FV unrealized non cash gains agency can enjoy can be compared to that same sort of claim for transfer –piracies - of various sorts of wealth including the time value of money, unless management is engaging in providing real goods and services and if it is recognizing revenues from those, those revenues must realize to cash in the earnings cycle (http://www.bankinnovation.net/forum/topics/accrual-accounting-and-using as well as comments opposing barter recognized as revenue).

That same piracy flaw exists anyway in Fair Value used on any Balance Sheet or contingent item except those in an exchange traded and cleared equities trading portfolio. In this ED regarding Revenue recognized from agency performance in contracts, combined with this ED's proposal to attempt to promulgate US GAAP where agency can recognize a revenue if it has fulfilled its contractual obligations, <u>rather</u> than when there is certainty that agreed upon transfers from the buyer that the seller decides those will be revenues will realize to cash, further contributes to FV's abuses proliferated by the current reporting model.

I strongly oppose that this ED virtually completely omits the realizing to cash test that accrual basis accounting gives us in recognizing revenue. For agency and owners to enjoy quality operating cash flows meeting enterprise's obligations, recognized revenues in the earnings cycle must realize to cash.

If agency is not required to uphold a definition for revenue recognition that realizes to cash, management's ability to operate the enterprise while it's reporting with a corrupted reporting model allows agency to enjoy recognizing revenues that do not in the earnings cycle produce cash flows, this corrupts earnings quality and as some would label it as 'gaming' earnings. As I've observed by way of FV and even the recognition of revenue without a test for the reasonable assurance that the seller's transfer of money (i.e., the realization to cash test is satisfied), management is pirating wealth from others in a form of a moral hazard, an externality the non management shareholders and other stakeholders (but in the case of the bigFinancials in 2008 and 2009) – society are shouldering the burden of financial (operating cash flow) problems that FV reporting is producing at the enterprise.

Development of Comments (which will follow the progress of the ED):

In the Dec 2008 Discussion Paper Preliminary Views on Revenue Recognition in Contracts with Customers, Summary of preliminary views, and omitted in the ED but should have included in the eventual FAS for Topic 605, the importance of maintaining accrual basis accounting and when in the earnings cycle revenues realize to cash, this produces a Net Income number comprised of a greater proportion of higher quality earnings that contribute to greater operating cash flows. The accounting profession identifies higher quality earnings as those produced from operating activities whose revenues when recognized from implied or expressed contracting realize to cash in the earnings cycle.

Additionally changes in assets and liabilities that themselves have Income Statement impact. As these are non cash gains or losses, these are different in their identity than rents, interest, or dividends which have real cash impact and too can be enjoyed as income. Even a capital gain or loss upon a sale transaction of a balance sheet item should not yet again enable management and/or owners to enjoy a FV of that asset or liability run through the Income Statement as a non cash, realized or unrealized gain as seen in FV treatment of Balance Sheet Items, and which management has been using to 'manage' impact Income Statement reporting. Again by the corruption of the reporting model management can enjoy another way to report an 'earning' while that asset or liability already is producing a rent, dividend, or interest while management is performing its duties engaging in the commercial activity of the enterprise and earning revenues that realize to cash from its contracts with buyers of its products. If by way of FV of Balance Sheet Items management also can enjoy some sort of unrealized non cash gain, is the reporting model anointing management "feudal lords"- to reporting forms of earnings from non performance means, while everyone else like vassals in society in order to obtain associated money is only may access it when transacting (in some version of contract, aside from abuses in the tax code on investments) in commerce or in a dividend, rent or interest?

With agency's associated responsibilities to the differences of law and culture between the US and Europe, I question whether this ED can or if it should produce a uniform definition of revenue recognition that if using a Concept 5 form of the definition to include tests for management performance, that the reporting model can produce a comparable framework across jurisdictions for enterprises. The laws of each jurisdiction alter commerce and impact in the US at the states' level, state law which controls articles of incorporation. One wouldn't think this influences the commercial/economic status of an enterprise however it does if one remembers corporate governance problems and corporate law cases that have financial impact to owners and stakeholders of enterprises. In Europe what is unique to those jurisdictions isn't something that in our legal framework and as a result how our reporting model should report commercial and economic status should be controlled or look to enable us to compare status of enterprises there, but also home based anywhere outside of the US even if those companies are operating in the US. In that case they should report in US GAAP.

Until recently foreign companies operating in the US and trading over US stock exchanges had to US GAAP report their financial status. Sadly today the SEC suspended this requirement, which better served comparability of foreign companies with US companies rather than attempting to promulgate GAAP for a tower of Babel. But to presume that revenue recognition and reporting model will produce comparability across jurisdictions better than requiring foreign companies operating in the US to US GAAP report fails to respect comparability that requirement produced and the goose to earnings similar to the way IFRS has facilitated in Europe and among its users elsewhere around the world.

Meanwhile IASB also is looking for ways to improve revenue recognition, but the flaws of FV in that model and our own even before IFRS and harmonization of US GAAP via FASB efforts with IASB gave us and Europe the bigFinancials' 2008 Enron/dotcom-redux. Indeed without harmonization, the 2008 financial markets correction still would have given us the financial system's Enron-esque collapse.

Notwithstanding, the reporting model shouldn't serve to deceive the users about the true commercial and economic status of the enterprise. The flaws in US GAAP and IFRS models which have been contributing to management piracies and deceits one can solve with promulgation requiring the accrual basis accounting model in which revenue that is recognized realizes to cash in the

earnings cycle while also prohibiting virtually ALL OTC derivatives contracting although that is not my reason for proving FASB my comment to the ED.

For the record however if management feels it must and aggressively has to engage it OTC derivatives contracting even for interest rate swaps, it is saving it has poor management skills, has made poor and/or flawed loans which it could have renegotiated, and all along the non management shareholders have taken it in the face and wallet, marginal quality management at our bigFinancials their size and mediocrity the Fed and regulators have aided and abetted.

Going forward I will include sections of the ED, after which I will provide comment.

As I stated above: I strongly oppose where this ED virtually completely omits the test where in the earnings cycle realizing to cash that accrual basis accounting gives us as to recognize revenue. For agency and owners to enjoy quality operating cash flows meeting enterprise's obligations, in the earnings cycle recognized revenues must realize to cash. Financial reporting that reflects the true economic status of the all- in costs including the externalities of goods and services that the enterprise produces has to be transferred in money from buyer to seller. The enterprise expends resources - i.e. itself uses goods and services of which these management uses to produce its products. The revenue recognition model must prohibit where seller can transact and/or contract with buyer but buyer can transfer anything less than the universally acceptable unit of exchange – cash money or a balance sheet item that realizes to cash in the earnings cycle, such as Accounts Receivable or a US Treasury Security which when traded for Cash realizes to cash and must in within the earnings cycle.

Otherwise insufficient quality earnings will produce insufficient operating cash available for the enterprise to satisfy its own obligations.

In the case of the bigFinancials, some of these obligations include where their operations need to provide for their need for liquidity. These players have been engaging in short term borrowing activities such as Commercial Paper and Repurchase Agreements, which become expensive with increasing counter-party credit risk or disappear in times of crisis. And unless revenues realize to cash, although I'll discuss this further in my comments, if agency swaps or barters for noncash compensation in its contracting of its goods or services, this barter too fails pay seller in cash money; this fails to properly meet what liberates in the way revenue realizing to cash liberates the seller to meet its obligations rather than what binds counterparties in the swap arrangement, and in that ignoring or demeaning the true cost of what seller provided buyer, and which cash respects to serve the seller's all-in economic needs, not just those to that unit in the exchange to buyer. Barter doesn't liberate seller from buyer which gives us forms of abuse and/or agency self dealing which in times of economic trouble/crisis also surface in their problems.

IN9. To apply that principle, an entity would: (a) identify the contract(s) with a customer; (b) identify the separate performance obligations in the contract; (c) determine the transaction price; (d) allocate the transaction price to the separate performance obligations; and (e) recognize revenue when the entity satisfies each performance obligation. Omitted from this before (e) can enable management to recognize revenue, buyer's transfer of an asset in the earnings cycle must realize to cash. The definition has to include the test in the earnings cycle of realizing to cash. If the seller isn't receiving what realizes to cash or the reporting model allows seller and buyer to contract where seller may accept barter, and/or what fails to realize to cash in the earnings cycle, seller will have difficulty paying its expenses/meeting its obligations. And then because of insufficient operating cash flows, the seller then must raise liquidity using either financing or investing means in order to meet its obligations.

Although with banks, one would think making loans and taking in deposits are part of its ordinary operating activity and one could make an argument perhaps for a future FASB project to revisit the Statement of Cash flows with addition exceptions for depository financial institutions. Notwithstanding, a bank cannot rely on the liquidity of its depositors' money. If management is operating in a condition where it decides to enjoy the liquidity of depositor money rather than the fees from its operating activities and interest from the loans it is contracting with borrowers if these are failing to produce sufficient operating cash flows and depositor money, or commercial paper or repo activity or other short team means for raising liquidity look tempting to management, then management at the bank is failing to operate the bank satisfying safety and soundness. Typically if this is the case the regulators discipline the management and/or it gets fired. At the bigFinancials however, over the 2006-present time we've not been seeing the regulators disciplining management nor have we seen management get replaced.

IN12. A performance obligation is an enforceable promise (whether explicit or implicit) in a contract with a customer to transfer a good or service to the customer. Notwithstanding defining performance, if agency cannot nor if in its contracting fails to include terms which call for it to receive from buyer what realizes to cash, seller has underperformed in that it has failed to complete its

role in securing from buyer what the seller's enterprise needs to meet its own obligations and/or prevent eventual financial problems from fouling with the enterprise and/or from producing disruptive economic and commercial consequences for other stakeholders of the seller's enterprise.

If the reporting model permits seller agency's abuse to self deal and contract with buyer under whatever framework the reporting model permits to be declared as revenue in the income statement, even barter of laundry tickets of traders on the trading desks, and given the discretionary power and abuse of that by agency, meanwhile the Income Statement turns this into money. It gives us a form of financial (statement, US GAAP permitted) alchemy that in its moral hazard has enriched agency at the bigFinancials at the expense of every one else and again, enabled agency to pirate the time value of money depending on the underlying nature of the contract and if FV is used to capture in the Income Statement an unrealized non cash gain of change in a Balance Sheet item.

The degree of agency abuse we'd seen aggressively with the dotcom correction but especially with the plume of OTC derivatives contracting legitimized by the Commodity Futures Modernization Act of 2000 brings us to this problem in how management t the big Financials are facilitated by US legislation and a crippled reporting model under the Concept 6 for Revenue Recognition have printed money in their Income Statements from the FV of their Balance Sheet items but have failed to produce quality earnings that realize to cash to satisfy what's necessary to have sufficient operating cash flows.

The definition must have the test in the earnings cycle of realizing to cash regardless of the nature of the expressed or implied contract's terms that agency decides what are its goods and services it is selling to the buyer and in turn for which the buyer pays the seller's price to survive the test of what will realize to cash in the earnings cycle. Of other forms on what management has declared revenue: regardless of the hedging, the trading, the 'risk management' contracting offsets, the writing of OTC derivatives contracts for the 'clients', all of these are forms of agency self dealing which are cash parasitic, and are ways by which management at the bigFinancials are bilking their enterprises.

If the correction in 2008 didn't expose this, the reporting model unless this test is included will continue to permit this atrocious agency abuse and on the public's wallet. At a cost of between \$10T to \$16T we're looking at more than merely pirating the time value of money; we're looking at agency having cost the US voters more than a year of its GDP to suit the legitimized, accounting model permitted self dealing by their OTC derivatives contracting and their engaging in insufficient commercial banking activity while also engaging in contributing to the collapsing of the US economy. We're looking at asset quality problems in their Shared National Credits, problems in their Commercial Real Estate lending and activities, and the spectacular, Olympic proportion residential real estate debacle and associated synthetic structured product abuses while many of the C Suite and layers of management and professional staff of bigFinancials unless they kept their quite well paying jobs, were given severance that most Americans would never dream, with few if any claw backs. Meanwhile the collapsing of the US economy that the bigFinancials facilitated was also in conjunction from 1979 until 2008 with the off-shoring a nearly 15% of US GDP tied up in production. But if you look at the BigFinancials' earnings cycles, boom or bust, they've generally appeared 'profitable'. If the US economy since 1979 or so has lost 15% of its GDP tied up in production, why haven't we seen that in their businesses? It's because of OTC derivatives contracting, consolidation in the sector and FV of changes in their Balance Sheet items and contingencies. Their hedging contracting also filters along with interest into the Income Statement, and the unrealized non cash gains from FV of their Balance Sheet activity by way of their OTC derivatives contracting, with these forms of agency self dealing, long ago these enterprises would have had to declare bankruptcy.

The crippled reporting model enables agency to report faux, non cash gains and inferior quality profits while these have obscured the continued erosion in what their commercial banking operations should have produced in a healthier economy with 15% of its production re-shored, rather than the opposite.

IN17. When determining the transaction price, an entity would consider the effects of the following: (a) collectability; (b) the time value of money; (c) noncash consideration; and (d) consideration payable to the customer. Allocate the transaction price to the separate performance obligations. I question whether the eventual FAS needs to include collectability in the way the Board means it here, as a factor in determining price as if the Board fears that agency will overestimate or that agency has a habit of overestimating price and if price is set at time of sale. Publicly traded corporations and banks and financial should not be setting 'price' at the time of sale when a buyer expects to be interacting professionally with seller.

Perhaps there are some examples of management has overcharged for its goods and services or cannot find a sufficient number of buyers willing to pay associated costs of those goods and services, but that is the nature of commerce. Enterprises leave the

marketplace. If the Board thinks the reporting model should allow agency to continue to contract where it is unable to enjoy sufficient return on the full costs of what it's selling to buyers, a reporting model that fails to require agency to engage in commerce only with buyers that are virtually certain to pay in what will realize to cash in the earnings cycle puts the Board in a role of facilitating moral hazard and encouraging inferior management practices at the enterprise.

I have respect for the FASB and urge it to reject a new definition of revenue recognition that has facilitated agency self interest in the proliferation of abusive contracting especially in the cases of the bigFinancials that not only vastly over obligates the resources of their (banking) enterprises but writes contracts that fail to realize to cash or sufficient cash in the earnings cycle that respond to the all-in costs of what the enterprise is obligated in that contract to fulfill.

IN20. An entity would recognize revenue when it satisfies a performance obligation by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. Does control denote ownership?

IN22. When an entity satisfies a performance obligation, an entity would recognize revenue in the amount of the transaction price allocated to the satisfied performance obligation. If the transaction price changes after contract inception, the amount of the change allocated to performance obligations already satisfied at the time the transaction price changes would be recognized as revenue in the period in which the transaction price changes. We're still seeing a definition that fails to include a test for realizing to cash in the earnings cycle. Even up to this point, we've not seen the accrual accounting model to realize to cash defined in this

IN23. When the promised goods or services underlying a separate performance obligation are transferred to a customer continuously, an entity would apply to that performance obligation one revenue recognition method that best depicts the transfer of goods or services to the customer. Acceptable methods include methods based on an entity's outputs or inputs and methods based on the passage of time. How would the proposals affect U.S. GAAP and IFRSs? IN24. The Boards envisage that the accounting for revenue (and some costs) arising from contracts within the scope of the proposed guidance would be the same in both U.S. GAAP and IFRSs. However, differences might exist between U.S. GAAP and IFRSs in the profit margin reported in those contracts because of differences in other standards relating to accounting for the costs of fulfilling a contract (for example, Topic 330 or IAS 2). IN25. For some contracts (for example, many retail transactions), the proposed guidance would have little, if any, effect on current practice. However, the proposed guidance would differ from current practice in the following ways: recognition of revenue only from the transfer of goods or services—contracts for the development of an asset (for example, construction, manufacturing, and customized software) would result in continuous revenue recognition only if the customer controls the asset as it is developed. But what about realizing to cash? Again this needs to include what survives tests to realize to cash.

N25 (d) effect of credit risk—in contrast to some existing standards and practices, the effect of a customer's credit risk (that is, collectability) would affect how much revenue an entity recognizes rather than whether an entity recognizes revenue. If in the case of an expressed and/or negotiated contract, agency is worried about the credit risk of a counter-party, agency at the seller has the power to include terms in the contract that minimize the exposure of seller to buyer with regard to collectability of price that realizes to cash from buyer. For FASB to suggest in a potential FAS that seller discounts its prices for its goods and services where concerns about credit risk pre-emptively alter management's pricing, would get shareholders and lenders very concerned. Agency at sellers should avoid this sort of negation with buyers that cannot afford the price of the seller's services nor should the reporting model permit where agency can abuse this. Although we've endured significant economic problems, the reporting model here and abroad should properly account for where in the expense and thus in seller's determination of price of its goods or services, that if a buyer fails to pay after revenue was recognized because seller believed the revenue to realize to cash then seller has a bad debt for which we've got GAAP to apply and management must take extra steps to secure payment after the fact, but not discount at the time of sale nor in the pricing of its goods or services.

The buyer must have paid sufficient means that realize to cash to have satisfied the seller's economics of what's entailed in seller's producing its goods and services. The FAS must include this language, please.

N25 (e) use of estimates—in determining the transaction price (for example, estimating variable consideration) and allocating the transaction price on the basis of standalone selling prices, an entity would be required to use estimates more extensively than in applying existing standards. (f) Accounting for costs—the proposed guidance specifies which contract costs an entity would recognize as expenses when incurred and which costs would be capitalized because they give rise to an asset. Applying that cost guidance might change how an entity would account for some costs. Estimates feed into management discretion in the financial reporting and although we have a mixed attribute model, and although the hedge funds and some other institutional investors and acquirers enjoy market based FV accounting, historical cost accounting gave us at least a picture less influenced by management discretion.

Moreover, anything capitalized i.e., expenses that seller can create a Balance Sheet item allows for a potential account to enjoy FV treatment and have access to the Income Statement where at some future point agency can use it for earnings gaming.

ANSWERS TO QUESTIONS IN THE ED:

Question 2: Yes

Question 3: This must include language that is accrual accounting language where the accounts receivable arises from the contract that when the revenue is recognized there is reasonable certainty in the earnings cycle it will realize to cash.

Question 4: My comments to this question are served by what I observed for above.

Question 5: No. This is an eroded notion of commerce and reporting. There is no obligation for a party to buy from the seller and if a buyer buys from seller, it's at a price seller thinks is sufficient to meet the obligations of the enterprise and with an acceptable profit margin, except in the cases of expressed contract negotiations.

Management must consider all economic costs that are expended for the goods and/or services it produces and determine price per unit or contract accordingly. Are luxury goods sold to all those interested 'buyers', and the buyer is permitted to pay what it decides to pay for the goods of the luxury merchandiser?

Question 6: It depends on how this is applied, and only if put into terms of the contract, can management enjoy access to this and only if the terms have revenue realizing to cash in the earnings cycle – accrual basis.

Question 10: It is important that the language in the FAS include accrual accounting language for revenues only recognized if in the earnings cycle are going to realize to cash and not a security or some other asset where we're looking at a barter which would alter cash money eventually coming to the seller which if it doesn't and agency has contracted to anything other than what realizes to cash, but the reporting model legitimizes agency being able to report a revenue, then we're looking at the FASB facilitating agency abuse aided and abetted by the reporting model.

Question 11: How would this disclosure appear? BigFinancials are contracting in the billions of dollars with exposures longer than 1 year. It's many thousands of individual contracts that its risk management and hedging staffs have written.

Proposed Guidance Introduction: To apply the proposed guidance, an entity shall: (a) identify the contract(s) with a customer; (b) identify the separate performance obligations in the contract; (c) determine the transaction price; (d) allocate the transaction price to the separate performance obligations; and (e) recognize revenue when the entity satisfies each performance obligation.

The proposed guidance must have language that specifies that the revenue in order to be recognized in the Income Statement the buyer's remuneration in the earnings cycle has to be reasonably certain to realize to cash. The buyer is assumed to have paid the price the seller had demanded for its products.

The frequency of where a great deal of what this ED defines as what comprises revenue, agency performance and associated recognition based on seller's agency performance virtually always omits language where the buyer has to perform with remuneration that in the earnings cycle realizes to cash. Neither the buyer nor the seller have completed their obligations if buyer buys and fails to pay in what in the earnings cycle will realize to cash to satisfy or extinguish what agency priced its products based on what it expended in terms of resources to produce its product and at that price including profit margin sold to the buyer.

Scope. The proposed guidance applies to all contracts with customers except: (a) lease contracts within the scope of Topic 840 on leases; (b) insurance contracts within the scope of Topic 944 on insurance; (c) contractual rights or obligations within the scope of the following Topics: (i) Topic 310 on receivables; (ii) Topic 320 on debt and equity securities; (iii) Topic 405 on extinguishments of liabilities; Unless I am not fully understanding about what extinguishes liabilities, this typically requires cash unless we're talking about where counterparty or vendor would accept an exchange other than cash for its goods or services. This is barter and digresses to an inferior economic model because barter has the tendency to burden the counterparties, where unless cash is paid to seller by buyer, the seller isn't liberated to use what the buyer 'paid' to satisfy not only the resources the seller expended to produce, but also is left crippled to use money to pay other obligations not directly connected to what the buyer obtained in the exchange. Seller's notions of wealth become dominated by the buyer and again leave the seller unable to enjoy more flexible commercial activity outside of the relationship with the buyer. This describes an inferior economic model that was improved with the progress to exchanging for a product, a unit of wealth that is universally acceptable by any other counterparty for other financial exchanges.

Buyer must pay seller in money which in turn seller can use to extinguish its obligations of any sort. Buyer and seller do not have the right unless seller is not a publicly traded company and without any sort of corporate debt to which the seller is obligated. If the seller is a publicly traded company engaging in barter and accepting barter from the buyer, while declaring revenue as if it rises to the same quality as revenue that in the earnings cycle realizes to cash such as a fee paid by buyer to seller, this company probably will collapse at some point similarly to Enron's and the dotcoms' collapses. The revenues and the income statement quality are eroded by non monetary exchange activity that fails to realize to cash, exploits resources of the enterprise while failing to produce sufficient cash to offset the costs of those resources, and impairs the seller's ability to pay for its expenses or cover its other costs. Sellers' accepting other non monetary items as an exchange for goods and services revisited the problems of barter and its inclusion in the Income Statement as if barter survives the accrual accounting basis of the exchange from buyer to seller in the earnings cycle realizing to cash.

- 10. A contract exists for the purpose of applying the proposed revenue requirements only if: (a) the contract has commercial substance (that is, the entity's future cash flows are expected to change as a result of the contract); (b) the parties to the contract have approved the contract and are committed to satisfying their respective obligations; (c) the entity can identify each party's enforceable rights regarding the goods or services to be transferred; and (d) the entity can identify the terms and manner of payment for those goods or services. This language is still missing accrual accounting language that requires what the buyer pays to the seller's price in the earnings cycle to realize to cash.
- 19. An entity shall account for a contract modification together with the existing contract if the prices of the modification and the existing contract are interdependent (as described in paragraph 13). Only at inception, however by the time execution by buyer's and seller's signatories, if language exists indicating potential or future modification to the terms in the agreement (expressed) contract between the parties. The language still must include accrual basis accounting where what buyer pays seller in the earnings cycle must realize to cash.
- 21. Contracts with customers oblige an entity to provide goods or services in exchange for consideration. Goods or services include the following: (a) goods produced by an entity for sale (for example, inventory of a manufacturer); (b) goods purchased by an entity for resale (for example, merchandise of a retailer); (c) arranging for another party to transfer goods or services (for example, acting as an agent of another party); (d) standing ready to provide goods or services (for example, when and- if available software products); (e) constructing or developing an asset on behalf of a customer; (f) granting licenses, rights to use, and options; and (g) performing a contractually agreed task (or tasks). All of this can be defined in the terms of the contract, but those here seem to be of an expressed rather than implied contract nature. And again please add the necessary earnings cycle realization to cash.
- 23. A good or service, or a bundle of goods or services, is distinct if either: (a) the entity, or another entity, sells an identical or similar good or service separately; or (b) the entity could sell the good or service separately because the good or service meets both of the following conditions: (i) it has a distinct function—a good or service has a distinct function if it has utility either on its own or together with other goods or services that the customer has acquired from the entity or are sold separately by the entity or by another entity; and (ii) it has a distinct profit margin—a good or service has a distinct profit margin if it is subject to distinct risks and the entity can separately identify the resources needed to provide the good or service. What does this mean? Referring to other buyers or the agreement with the same terms which would exist many times over?
- 25. An entity shall recognize revenue when it satisfies a performance obligation identified in accordance with paragraphs 20–24 by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. Is this the definition of when an asset can be recognized on the Balance Sheet? Does this mean ownership is also transferred when the buyer has control? These are 2 different concepts and should be either mentioned as associated with each other to convey if FASB means control = ownership.

28. If an entity retains some rights to an asset solely as protection against the customer's failure to comply with the terms of the contract (for example, when an entity retains legal title as protection against the customer's failure to pay), those rights are protective rights and do not preclude a customer from obtaining control of an asset. All revenue recognition regardless of the terms for transfer of ownership and control cannot claim revenue in the Income Statement unless it has language that in the earnings cycle it realizes to cash. In order for the seller's Net Income to be considered of meaningful quality rather than Earnings gaming, what of the Net Income that flows into the Statement of Cash Flows must be from what in the earnings cycle legitimately realized to cash.

Continuous transfer of goods or services

- 32. When the promised goods or services underlying a separate performance obligation are transferred to a customer continuously, an entity shall apply to that performance obligation one revenue recognition method that best depicts the transfer of goods or services to the 18 customer. The entity shall apply that method consistently to similar performance obligations and in similar circumstances. Either way unless it realizes to cash in the earnings cycle it cannot be recognized as revenue in the Income Statement.
- (33) However, other methods may also provide a faithful depiction but at a lower cost. (b) input methods that recognize revenue on the basis of efforts expended to date (for example, costs of resources consumed, labor hours expended, and machine hours used) relative to total efforts expected to be expended. Buyer has to specify in contract's terms while drafting and before execution by signatories. Otherwise seller is potentially engaging in abuse if it accepts terms inferior to meet its obligations and other resources it expended by its efforts to produce whether for an expressed or implied contract product. Expense capitalizing is another matter; seller and its cost accountants need to decide if the current, well worn grooves for costing are more important than agency's compensation self interests. If in the agreement with the buyer, there are clauses on the products from continuous process, that can be expressed in the contract but the reporting model isn't counterparties engaging in the contracting rather than serving the purpose of the stakeholders such that regardless of whether management performs to the interests of the buyer, that whatever revenue the seller claims in the Income Statement, in the earnings cycle it has to realize to cash.

The risk is that agency at the seller is agreeing with counter-parties to accept what does not realize to cash or sufficient cash in the earnings cycle and thus stakeholders will be shouldering problems from negative externalities. With insufficient cash flow from operating earnings, agency has to borrow which becomes expensive in times of uncertainty or disappears in times of risk.

For example in 2007 in the case of the bigFinancials, many declared record breaking earnings while in 2008 many needed Fed or federally assisted liquidity mechanisms to meet their liquidity and commercial needs while in their virtual bankruptcies or failures. Similar to Enron, these bigFinancials were borrowing short term in large amounts while off-balance sheet activity skinnied the Balance Sheet, put less pressure on bank capital footings, and obscured losses and activities that were cash parasitic. Differently than Enron, however bigFinancials threatened to take down 'Main Street' after which Congress also provided other liquidity mechanisms.

Given that sort of deleterious externality to society that agency at bigFinancials produced something is seriously wrong about how agency at those publicly traded companies were managing their enterprises, but that the reporting model while one knew what they were finding while reading through the dense, fat 10ks of the bigFinancials, the reporting model failed to prevent agency abuses and failed to prevent damage to operating cash flow that the reporting model should have helped better to reveal. Meanwhile again these failures have had an associated cost to society of between \$10T to \$16T pumped into the various markets to give the bigFinancials moving markets but it also that liquidity also was for what management would pay itself and so as not to further borrow from the Fed window in sums that great that would be far more evident to the public and far more damaging eventually to the economy.

Few add up the shocking costs, however the public had to shoulder the seriously negative externalities produced by the bigFinancials abusive agency practices and their contracting, along with the flawed reporting model for revenue recognition that allowed for the abuse of Concept 6 which the ED takes further to promulgate revenue as if always from a contract of sorts but for recognition does not always realize to cash in the earnings cycle. I'll repeat, this ED allows for barter, while the weaknesses in the proposed definition also can and has produced problems in 2008 with positive cash flow at the larger financial companies.

34. When an entity satisfies a performance obligation, it shall recognize as revenue the amount of the transaction price allocated to that performance obligation. What about when buyer pays what seller's price was for seller's product, buyer pays what is assured in the earnings cycle to realize to cash? There has to be language in the FAS that seller has to make reasonable efforts if what buyer was to pay does NOT in the earnings cycle realize to cash. When seller isn't paid on what it contracted that should have realized to cash especially at the big Financials- seller is able to FV the changes in their balance sheet items - so it DOESN'T MATTER IF THEIR COUNTER-PARTIES DO NOT PAY - SELLER CAN FV THE CHANGES IN THEIR BALANCE SHEET BECAUSE THE REPORTING MODEL SAYS SO AND PAY THEMSELVES GIVEN THESE GAINS THEY CAN SAY ARE A-N-Y A-M-O-U-N-T RUN THROUGH THE INCOME STAEMENT. Meanwhile their Balance Sheets are inflated with their abusive OTC derivatives and hedging contracting on which they're enjoying not only the FV gains run through the Income Statement, but they're also pretending they've managed their risk while in reality in a market correction, their Balance Sheets would circle down the drain and their Income Statements would get sucked up in a virtual black hole depending on how deep and long the correction progressed.

- (36)...customer promises to pay.... The amount of consideration could vary because of discounts, rebates, refunds, credits, incentives, performance bonuses/penalties, contingencies, price concessions, the customer's credit risk, or other similar items. But if they don't pay then seller's management has failed in its duties and the FAS needs language that customer has paid what will satisfy seller's price and in the earnings cycle will realize in the earnings.
- 38. An entity shall recognize revenue from satisfying a performance obligation only if the transaction price can be reasonably estimated. The transaction price can be reasonably estimated only if both of the following conditions are met: (a) the entity has experience with similar types of contracts (or access to the experience of other entities if it has no experience of its own); and (b) the entity's experience is relevant to the contract because the entity does not expect significant changes in circumstances. This language must include when the buyer has paid and there is a reasonable certainty that that which the buyer transferred will realize to cash with a burden also being on the buyer's payment being sufficient to satisfy its contractual obligations included in the price of the product.
- 39. Factors that reduce the relevance of an entity's experience include the following: (a) the consideration amount is highly susceptible to external factors (for example, volatility in the market, judgment of third parties, and risk of obsolescence of the promised good or service); (b) the uncertainty about the amount of consideration is not expected to be resolved for a long time; (c) the entity's experience with similar types of contracts is limited; And (d) the contract has a large number of possible consideration amounts. If seller's management has made bad business decisions, that is not or should not be anyone else's problem. The are other sellers for some or similar products except for negotiated contracts for unique items.
- 41. If the transaction price cannot be reasonably estimated, an entity shall not recognize revenue from satisfying a performance obligation. If circumstances change, the entity shall recognize revenue from satisfied performance obligations when the transaction price can be reasonably estimated. If an entity can reasonably estimate some, but not all, of the consideration amount (for example, if part of the total consideration is a fixed amount), the transaction price includes only the amount that the entity can reasonably estimate. How could buyer pay if seller hasn't determined selling price? If buyer can't or hasn't paid but seller transferred goods, seller risks having made a foolish business decision. The seller is to determine price before selling products, unless it is a unique product in which it has to negotiate the contract with the buyer. Buyer pays transaction price or over life of the contract according to the terms negotiated where transferred means from buyer to seller has to have reasonable assurance in the earnings cycle it will realize to cash or the seller cannot recognize the revenue. Enron and dotcom abuses were of this sort of flaw and this ED doesn't solve this flaw of unrealized non cash gains recognized as revenue or barters running through the Income Statement and enabling management to print money via the reporting model through its Income Statement when if the model required at the very least the transfer from buyer to seller in the earnings cycle realizing to cash. If the seller doesn't receive cash flows it will not have sufficient means necessary to pay its obligations.

Moreover agency's job is to produce goods or services and price responsibly for these products. If it has to be a price taker and had to rely on FASB's language here, it may risk being out of business.

42. When determining the transaction price, an entity shall consider the effects of: (a) collectability; (b) the time value of money; (c) noncash consideration; and (d) consideration payable to the customer. No, it is to determine costs of resources used and also a reasonable profit margin that captures where it can have the seller pay for value added rather than the buyer having purchased that product from another seller. The seller doesn't have to extend credit or it can have the buyer post collateral, as in a prepaid 'secured' credit card.

Collectability 43. Collectability refers to the customer's credit risk—the customer's ability to pay the amount of promised consideration. In determining the transaction price, an entity shall reduce the amount of promised consideration to reflect the customer's credit risk. Hence, when an entity satisfies a performance obligation, the entity shall recognize revenue at the probability-weighted amount of consideration that the entity expects to receive. Once an entity has an unconditional right to consideration (that is, a receivable as described in paragraph 66), the effects of changes in the assessment of credit risk associated with that right to consideration shall be recognized as income or expense rather than as revenue. No the seller should not reduce or negotiate the price to reflect the customer's credit risk, except in special circumstances such as long term contracts that necessitate seller and buyer negotiating terms and/or with mile stones over time to fulfill. When that is not the case, remember my comparison of producers of luxury goods, while everyone may want these, seller is going to price goods to meet buyers able to pay what seller prices for its products. And there is way too much discretion inferred in this language in 43. Management has responsibility to sell largely or only to qualified buyers so that when coincident with accounts receivables it is associated with knowing if cash will extinguish that that account as if that revenue is recognized when seller know it will realize to cash.

45. The effect of the time value of money is not material to many contracts. However, the effect is material to some contracts because payment from the customer is due either significantly before or significantly after the transfer of goods or services to the customer. In those contracts, the entity shall reflect the time value of money in the transaction price by discounting the amount of promised consideration using the rate that would be used in a separate financing transaction between the entity and its customer. That rate shall reflect both the time value of money and credit risk (hence, an entity shall not also adjust the amount of the 21 promised consideration in accordance with paragraph 43). The entity shall present the effect of financing separately from the revenue from goods or services. This should be the exception and not the rule.

Noncash consideration

46. In some contracts, an entity receives, or expects to receive, noncash consideration. To determine the transaction price for those contracts, an entity shall measure noncash consideration (or promise of noncash consideration) at fair value. If an entity cannot reasonably estimate the fair value of the noncash consideration, it shall measure the consideration indirectly by reference to the standalone selling price of the goods or services transferred in exchange for the consideration. This sort of discretion in FV of suitable barter exchange is yet the next step to agency abuse using the financial reporting model. This ED is not making agency abuse very difficult, while contrarily accrual accounting with revenues realizing to cash attempts to discipline public reporting that agency and the accountants are to maintain. No indeed virtually never if it doesn't realize to cash in the earnings cycle. It is not revenue if it is barter. Nor should revenue be recognized because it isn't supplying what the enterprise needs to meet its obligations such as expenses incurred. Otherwise we've got a form of colonialism or an inferior economic model where the seller is not independent from the buyer as it should be especially for publicly traded companies where agency is assumed to not be captive to the buyer's interest or conflicted with self interest because it controls its own compensation.

The power of the wealth lies in the hands of the party that controls the terms and if seller is controlled by buyer's interests then seller is conflicted or at risk for being guilty of self dealing or engaging in self serving interests. The FASB wants to avoid where the reporting model can aid and abet that because of collusion seller may have with the buyer. The reporting model should NOT aid and abet where agency can engage in contracting practices that fail to meet the needs of the enterprise which is also is fostered by exchange failing to realize to the money of account. Money of account- again - liberates the seller to service the obligations of the enterprise, unless it also barters for those. Not that in our society these activities don't exist when they do.

48. If an entity pays, or expects to pay, consideration to the customer (or to other parties that purchase the entity's goods or services from the customer) in the form of cash or credit, or other items that the customer can apply against amounts owed to the entity, the entity shall determine whether that amount is: (a) a reduction of the transaction price and, hence, of revenue (that is, the customer receives a discount on the entity's goods or services); (b) a payment for a distinct good or service (as described in paragraph 23) that the customer supplies to the entity, in which case the entity shall account for the purchase of the good or service in the same way it accounts for other purchases from suppliers; or (c) a combination of items (a) and (b), in which case the entity shall reduce the transaction price by the excess, if any, of consideration payable to the customer over the fair value of the good or service the entity receives from the customer. If the entity cannot reasonably estimate the fair value of the good or service received from the customer, the entity shall account for the entirety of the consideration payable to the customer as a reduction of the transaction price. This fouls with accounting at financial institutions for non accrual loans. Agency, i.e. the seller books a bona fide loan. In the course of business if the buyer i.e., the 'borrower' has difficulty meeting the terms of the loan and begins to pay longer than 60 days or 90days or longer, the bank regulators have rules that bank management over time adopted when to decide the non-performing loan has reached a status when its accrued interest it recognized as revenue has to be backed out of earnings and/or washed against a provision or a reserve for loan losses, depending on the earnings or losses of the bank. Although the loan terms can be renegotiated after the fact, FASB's language is too lazy for the sort of commerce that at the very least publicly traded companies should maintain and absolutely that regulated financial institutions are virtually required to maintain, although over the past 15 or so years the bigFinancials have abused this with their various sorts of contracting in swaps and OTC derivatives that now have plumed by the largest writers of these activities to more than a notional amount of \$685 Trillion with a netted amount of \$25T and with all of this obscuring their loses that should have bankrupted them.

- 50. An entity shall allocate the transaction price to all separate performance obligations in proportion to the standalone selling price of the good or service underlying each of those performance obligations at contract inception (that is, on a relative standalone selling price basis). 51. The best evidence of a standalone selling price is the observable price of a good or service when the entity sells that good or service separately. A contractually stated price or a list price for a good or service shall not be presumed to represent the standalone selling price of that good or service. If a standalone selling price is not directly observable, an entity shall estimate it. Confusing
- 52. When estimating standalone selling prices, an entity shall maximize the use of observable inputs and shall apply estimation methods consistently for goods or services and customers with similar characteristics. Suitable estimation methods include the following: (a) expected cost plus a margin approach—an entity could forecast its expected costs of satisfying a performance obligation and then add the margin that the entity would require for that good or service; and (b) adjusted market assessment approach—an entity could evaluate the market in which it sells goods or services and estimate the price that customers in that market would be willing to pay for those goods or services. That approach might also include referring to prices from the entity's competitors for similar goods or services and adjusting those prices as necessary to reflect the entity's costs and margins. Probably management should use quant and operating research/cost accounting methods to arrive at its price for its products however this revisits what the quality of effective managerial (cost) accounting brings to the table.
- 54. An entity shall recognize a liability and a corresponding expense if a performance obligation is onerous. What happened to contract negotiation?
- 67. An entity shall present any asset recognized in accordance with paragraph 57 separately from the contract asset or contract liability. This language is both vague and confusing. Is the entity reference here buyer or seller? How would this look especially with bigFinancials engaging in OTC derivatives contracting if revenues are only recognized when with certainty in the earnings cycle they will realize to cash? Then there is little uncertainty as to the cash flows sufficient to handle the operating obligations of the enterprise, other than if agency is engaging in many and expensive cash parasitic activities such as writing synthetic CDOs which trigger upon issue of a payment by underwriter to buyer – in a chummy deal the shareholders and regulators should sue bank management for having produced. If agency is engaging in contracting where the transactions do not realize to cash or in a contingent liability sets up what enables an allocation or cash reserve then the discretionary and abusive power of agency adds further uncertainty to cash flows' determinability. If agency can recognize revenues from its contracting but the recognition doesn't realize to cash, that gives us dotcoms and Enron model. The other part of it was synthetic structured off-Balance Sheet vehicles with derivatives contracting giving us the full Enron model at depository institutions. Not only after \$10T and \$16T of voter money went into flushing the markets after the Fed's abnormally low interest rates for an abnormally long time, but along with the 2000 Commodity Futures Modernization Act and regulator moral hazard, the reporting model is guilty and part of the problem. The financial reporting model crippled with and by FV must cease and desist from aiding and abetting moral hazard where agency especially at the banks but also at publicly traded companies may engage in barter and material amounts of discretionary contracting such as hedging and OTC derivatives of every sort.

If management's business judgment is that bad they have to write hedges against their operating activities such as their lending using the resources of the enterprise and the voters' wallet for \$10T-\$16T for moving markets for management to be able have positive 'marks' to upvalue their Balance Sheet and contingent items, then management needs to be replaced and the reporting model needs to be purged of Concept 6 definitions for revenue recognition as well as eliminating FV from permitting unrealized non cash gains through the Income Statement. If at all perhaps, these Balance Sheet items' changes perhaps could be recognized in the Shareholder Equity Section of the Balance Sheet, but these unrealized or realized non cash gains are not revenues, nor should they enjoy Income Statement access. Actually worse FV at all fouls with wealth development – Ed Altman observed that Shareholder Equity predictability from one quarter to the next is more skewed than ever in part from the FV and the Other Comprehensive Income gaming that alters. And we've been witnessing where with its OTC derivatives contracting and 'hedging management at the bigFinancials have been able to create as I'd mentioned previously - financial alchemy in their Income Statements from FV of their Balance Sheet and contingent items. The reporting model aided and abetted this by FV.

We saw in 2007 record breaking earnings, but in 2008 when the markets were correcting, the bigFinancials went bankrupt. Thus if the reporting model in this case which has aided and abetted moral hazard as a result of any sort of consideration that doesn't realize to cash which should be permitted ONLY IN THE MOST RARE of transactions rather than the norm in this ED. and with permissive language every seller experienced about declaring revenue after producing its products but before its customers have paid ... NO!- the language must state payment is to be certain and ascertained, and in what will enable the seller the liberty to extinguish its other obligations, not only those tied in some way to the buyer's interest.

Nobody else can get away with that and everyone else has to engage in transacting/buying-selling to enjoy receiving cash money or what realizes to cash.

Reconciliation of contract balances 75. An entity shall provide reconciliation from the opening to the closing aggregate balance of contract assets and contract liabilities. The reconciliation shall, at a minimum, show each of the following, if applicable: (a) the amount(s) recognized in the statement of comprehensive income arising from: (i) revenue from performance obligations satisfied during the reporting period; (ii) revenue from allocating changes in the transaction price to performance obligations satisfied in previous reporting periods; (iii) interest income and expense; and (iv) the effect of changes in foreign exchange rates; (b) cash received; (c) amounts transferred to receivables; 27 (d) noncash consideration received; and (e) contracts acquired in business combinations and contracts disposed. Disclose the percent that has to realize to cash or percent that in the earnings cycle has not realized to cash. Typically however bad debts of whatever sort are reported. The largest contracting at risk for failing to realize in the earnings cycle to cash are the OTC derivatives and hedging contracting, which is largely unsupervised. Although management at bigFinancials report these contracts are profitable and have not gone unpaid or into a 'bad' debt status, notwithstanding, this too should be reported and any degree more than one-off exhibits agency abuse and management should get replaced.

On the non cash balances, the nature of whether it will realize to cash or extinguish expenses or liabilities should be disclosed.

Performance obligations 77. An entity shall disclose information about its performance obligations in contracts with customers. including a description of: (a) the goods or services the entity has promised to transfer, highlighting any performance obligations to arrange for another party to transfer goods or services (that is, if the entity is acting as an agent); (b) when the entity typically satisfies its performance obligations (for example, upon shipment, upon delivery, as services are rendered, or upon completion of service); (c) the significant payment terms (for example, whether the consideration amount is variable and whether the contract has a material financing component); (d) obligations for returns, refunds, and other similar obligations; and (e) types of warranties and related obligations. If the contract wasn't including terms to realize to cash why did agency chose this and a description of assumptions of what were the constraints that were commercially beneficial to the enterprise.

79. An entity shall disclose the amount of any liability recognized for onerous performance obligations together with a discussion of: (a) the nature and amount of the performance obligations for which the liability has been recognized; (b) why those performance obligations have become onerous; and (c) when the entity expects to satisfy the liability. Possibly

Determining the timing of satisfaction of performance obligations 82. For performance obligations satisfied continuously, an entity shall disclose; (a) the methods (for example, output methods, input methods, and methods based on the passage of time) used to recognize revenue; and (b) an explanation of why such methods are a faithful depiction of the transfer of goods or services. Determining the transaction price and allocating it to performance obligations

Especially what or if realization to cash in the earnings cycle was not a term in the contract and why payment of another asset or liability was deemed acceptable. Also customer or buyer or Counter party contract must pay money to defease the contract's steps.

Example 20—Customer credit risk

Customer agrees to pay or paid by credit car or has pre-existing credit agreement with seller in order qualified to afford rather than before seller is paid that the buyer could enjoy use and substantial control of goods and services. If buyer was pre qualified to be an acceptable credit risk with reasonably strong assurance it would make payment in 30 days unless a credit card was used, I could see what this Example offers to be addative to the reporting model for Revenue Recognition.

Management has to either improve its contracting terms or not extend the credit or permit the buyer to enjoy use or ownership of products unless it wants to be penalized for inferior practices and self interested business practices with buyer. Management should charge full price; if buyer fails to pay full price management can litigate or choose to write off the open amount as a bad debt and make effort for full collection unless that is more expensive than writing down the debt as a bad debt expense.

And only if renegotiated and/or it can't be and has to be reported as a bad debt expense or some in indication of failing to act according to original terms.

Epiloque Comments.

I had overlooked mentioned that although in the ISDA agreements the OTC derivatives contracting enjoys backing by the ISDA members' sovereigns- which means that any of, and the bigFinancials aggressively engaging in OTC derivatives contracting can write any sort of agreement that enjoys backing by the voters' wallets of the sovereigns where these bigFinancials are based. This allows management to engage in their abusive contracting while the voters shoulder the bailout costs but if Revenue Recognition allows management run Fair Value these contractings as if the changes in these should enjoy recognition as revenue in the Income Statement, then the Reporting model as aided and abetting this disastrous abuse when there is insufficient will on the part of Congress and the Regulators to cease and desist bank management from contracting the resources of their enterprises vastly beyond even what they have for ordinary commercial banking activity.

It's not the responsibility for the Financial Accounting Standards Board to require bank management to cease and desist of OTC derivatives contracting. As much of this contracting and the nature of these contracts is very cash parasitic, but their access to the Income Statement where if the reporting model permits the change in 'value' of these contracts to enjoy revenue recognition as if these 'contracts' were ordinary mortgages to borrowers or commercial loans to ordinary commercial borrowers with those interest payments paid by their borrowers and those real revenues that realize to cash (which had been accruals), but these OTC derivatives contracting are NOT that, the sovereigns ARE backing this activity regardless of its size and abuse and the wealth transfer via the discretionary power that Fair Value and its ability to enjoy access to the Income Statement and the associate printing money machine when these revenues flow through to become Earnings, society cannot afford the new feudalism and the anointing of the new 'royal' class the reporting model and the FASB would have facilitated because bank management as parties that can contract in this degree and with the values they've declared and from those, then earnings or revenue recognized, this is another form of a moral hazard and an insidious wealth transfer redolent of earlier, pre-voter ages of tyrannies and property control.

As experts who understand accounting theory and can stop these sorts of problems at the accounting level, if we adhere to accrual basis accounting and what is able to be recognized as revenue has to realize to cash, it helps prevent some of the contracting abuse by agency. Although it doesn't get the voters' wallet out of the ISDA OTC derivatives contracts, and it doesn't stop agency at banks from printing money, at the very least it cramps management's style if what they contract in order to be recognized as a revenue in the earnings cycle- engaging in earnings management - but if the revenues in the earnings cycle must realize to cash and promote operating activity that produces cash rather than allowing management to engage in activities that are cash flow parasitic. Management doesn't have the means for the collateral or the additional capital that this contracting requires now, but the managements have avoided, and going forward now when federal statute requires the writers and players in OTC derivatives to collateralize and capitalize. This sort of funding comes from? the voters' wallet again?

No - the reporting model should not aid and abet this new, more recent version of disintermediation. Although not one as evident, when agency in its discretionary power that Fair Value allows it to enjoy and abusively in this case with OTC derivatives contracting, society has had to pay the cost for the cash parasitic problems of these and other lines of business that management ran poorly and/or were suffering while the economy has been being collapsed from the non tariff'd ie, "free" trade agreements and that the credit and associated mortgage/housing bubble obscured. That disintermediation occurred when the bankers could pay themselves and all of their other advisers anything they wanted or were asked and the rest of society was the beast of burden when these companies blew themselves up and FV and a flawed revenue recognition model and poor management practices with facile oversight helped to spur. But many regulators did NOT loose their jobs. Many financial senior management people did NOT loose their jobs and if they did, they were paid severances that most people could NEVER imagine. And the bigFinancials had a cash-flow crisis? It was planned, self produced and it walked out the door with staff, bad deals, and ah, insidious but utter corruption and the corrupted reporting model and captive regulators also helped to foster.

Nor should the reporting model allow further problems that agency has hid in and because their membership dues into their trade associations buys them legislators and regulators, for Senator Dodd to say that Dodd Frank was NOT going to solve the problems nor prevent bailouts in the future was a pathetic but true indictment of what's been happening at our largest financial institutions. The FASB however should not be among the miscreants in the 'line-up' or the perp walk come the time another BigFinancial blows itself up from liquidity crises or similar sorts of agency abuses, but the reporting model did or didn't also help

get them there. ISDA and our Congress are another matter, but at least the FASB can give us revenue recognition that in the earnings cycle will realize to cash and that the only thing Fair Valued perhaps what we had ah, up until the time of the fall of the Berlin Wall.

We want to avoid wealth transfers a flawed reporting model would allow. We want to avoid the contemporary feudalism the discretionary power of FV gives management and their associated ability to value their balance sheets and contingencies to suit their self interests and game their Income Statement reporting. We want to avoid another bailout and increasing problems with piracies that fall on the burden of the voters by an elite who get to and what Concept 6 and Fair value help to facilitate - the piracy of the time value of money. No one else in society is permitted to get away with this. Even the tax code has to use basis and often that's cash or historical cost. With 91% of US tax receipts now coming from individual voters up from roughly 60% as of roughly 1970, again the burden of the deterioration away from where all financial and associated activity and also that connected to and including our TAXES, should and in the case of our TAXES deal with historical cost, accrual basis accounting and revenues that in the earnings cycle have to realize to CASH.

In summary, at the very least please include the language that states what buyer pays seller to satisfy what seller priced its products, that the transfer of from buyer to seller can be recognized as revenue if in the earnings cycle it realizes to cash, or near enough to that sort of language.

Respectfully,
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(1)Woelfel, Charles J. "The Handbook of Bank Accounting". 1993 - The Bank Administration Institute Foundation and Probus Publishing Company. ("Woelfel", p20, *Revenue realization principal*) although any accounting text book older than the past 10 years probably also will give a conservative definition of accrual basis accounting and the need for revenue to realize to cash).