February 27, 2012

Submitted via email: director@fasb.org

Technical Director Financial Accounting Standards Board 401 Merritt 7, P.O. Box 5116 Norwalk, CT 06856-5116

File Reference No. 2011-230

Dear Technical Director:

The Technical Issues Group ("TIG") of the Missouri Society of CPAs ("MSCPA") appreciates the opportunity to comment on certain matters in the Proposed Accounting Standard Update to Revenue Recognition (Topic 605), *Revenue from Contracts with Customers*. The views expressed herein are written on behalf of the TIG of the MSCPA. The TIG has been authorized by the MSCPA Board of Directors to submit comments on matters of interest to the MSCPA membership. The views expressed in this letter have not been approved by the MSCPA Board of Directors or Executive Board and, therefore, should not be construed as representing the views or policy of the MSCPA.

We applaud the Financial Accounting Standards Board's ("Board") efforts to arrive at a high level set of principles that would be applicable to the widest range of revenue transactions. We note that rationalizing the more than 100 revenue policies that exist requires a shift from specific rules toward overarching principles. While we generally agree with the direction taken by the Board, we acknowledge that certain constituencies do not believe the proposed standard fairly accomplishes its objective.

We agree with the Board's objectives of increasing comparability and simplifying the preparation of financial statements. However, the amount of subjectivity and complexity called for in this standard will likely have significant effects beyond just estimating revenue. For example, we are concerned about resources required for external auditors to attest to estimates management must make to comply with the proposed standard.

Thank you for considering our comments, and please feel free to call upon us if you need clarification or additional insights.

Sincerely,

Leigh Salzsieder, CPA

Leigh Salsieder

Revenue Recognition Project Leader

salzsiederl@umkc.edu

Josh Ayers, CPA TIG Chairman

jayers@stonecarlie.com

The following responses address selected questions:

Question 1: Paragraphs 35 and 36 specify when an entity transfers control of a good or service over time and, hence, when an entity satisfies a performance obligation and recognizes revenue over time. Do you agree with that proposal? If not, what alternative do you recommend for determining when a good or service is transferred over time and why?

Response: We agree with the criteria outlined in paragraphs 35 and 36. We believe that the criteria outlined in paragraphs 35 and 36 seem to capture the fundamental nature of fulfilling a performance obligation over time.

Question 2: Paragraphs 68 and 69 state that an entity would apply Topic 310 (or IFRS 9, if applicable) to account for amounts of promised consideration that the entity assesses to be uncollectible because of a customer's credit risk. The corresponding amounts in profit or loss would be presented as a separate line item adjacent to the revenue line item. Do you agree with those proposals? If not, what alternative do you recommend to account for the effects of a customer's credit risk and why?

Response: We agree with the proposed presentation of impairment losses arising from contracts as a line item adjacent to revenue. We feel that this is an improvement over the previous exposure draft. An alternative approach would be to allow net disclosure on the face of the statement, with footnote disclosure of the details.

Question 3: Paragraph 81 states that if the amount of consideration to which an entity will be entitled is variable, the cumulative amount of revenue the entity recognizes to date should not exceed the amount to which the entity is reasonably assured to be entitled. An entity is reasonably assured to be entitled to the amount allocated to satisfied performance obligations only if the entity has experience with similar performance obligations and that experience is predictive of the amount of consideration to which the entity will be entitled. Paragraph 82 lists indicators of when an entity's experience may not be predictive of the amount of consideration to which the entity will be entitled in exchange for satisfying those performance obligations. Do you agree with the proposed constraint on the amount of revenue that an entity would recognize for satisfied performance obligations? If not, what alternative constraint do you recommend and why?

Response: We agree with constraining revenue to amounts that the entity believes it is reasonably assured to be entitled. Until that time, the inclusion of variable revenue is highly subjective, and most financial statement users will not want to see those amounts included in revenue until their realization is reasonably assured.

Question 4: For a performance obligation that an entity satisfies over time and expects at contract inception to satisfy over a period of time greater than one year, paragraph 86 states that the entity should recognize a liability and a corresponding expense if the performance obligation is onerous. Do you agree with the proposed scope of the onerous test? If not, what alternative scope do you recommend and why?

Response: We agree with the proposed scope of the onerous test, i.e. to apply the requirement for onerous testing *only* to performance obligations that an entity expects at contract inception will be satisfied over time that is greater than one year. We appreciate the FASB addressing the cost-benefit concerns expressed by limiting the scope of the test.

We do wonder if the onerous test might be more appropriately performed at the contract level. This would avoid the situation where an individual performance obligation is onerous, but the contract as a whole is still profitable.

Question 5: The Boards propose to amend Topic 270 and IAS 34 to specify the disclosures about revenue and contracts with customers that an entity should include in its interim financial statements. The disclosures that would be required (if material) are:

- 1. The disaggregation of revenue (paragraphs 114–116)
- 2. A tabular reconciliation of the movements in the aggregate balance of contract assets and contract liabilities for the current reporting period (paragraph 117)
- 3. An analysis of the entity's remaining performance obligations (paragraphs 119–121)
- 4. Information on onerous performance obligations and a tabular reconciliation of the movements in the corresponding onerous liability for the current reporting period (paragraphs 122 and 123)
- 5. A tabular reconciliation of the movements of the assets recognized from the costs to obtain or fulfill a contract with a customer (paragraph 128).

Do you agree that an entity should be required to provide each of those disclosures in its interim financial statements? In your response, please comment on whether those proposed disclosures achieve an appropriate balance between the benefits to users of having that information and the costs to entities to prepare and audit that information. If you think that the proposed disclosures do not appropriately balance those benefits and costs, please identify the disclosures that an entity should be required to include in its interim financial statements.

Response:

1. The disaggregation of revenue (p. 114-116).

Yes. This information would seem to be readily available from most accounting systems for interim reporting. Information is relevant and consistent with current standards.

2. A tabular reconciliation of the movements in the aggregate balance of contract assets and contract liabilities for the current reporting period (p. 117).

Yes. This information would seem to be readily available from most accounting systems for interim reporting. We appreciate FASB making this disclosure optional for nonpublic companies.

3. An analysis of the entity's remaining performance obligations (p. 119-121).

No. Costs would outweigh benefits for interim reporting. We believe there is a consensus among preparers and auditors of financial statements that:

- The disclosure would be difficult to prepare and audit because many accounting systems are not designed to capture the necessary information, specifically, the timing of performance obligations for certain industry-specific entities.
- ii. Information provided in the disclosure may be misinterpreted because of the nature of the contracts and timing between interim periods. Also, because the 2010 proposed Update was modified to exclude contracts with expected duration of less than a year, interim reporting of the information may not be useful.
- iii. Forward-looking statements (particularly interim statements) should be part of management commentary, not part of financial statement disclosures.

Alternative: Disclose the information as of the most current previous year ending and an explanation of any significant or material changes to major long term contracts. We appreciate FASB making this disclosure optional for nonpublic companies.

- 4. Information on onerous performance obligations and a tabular reconciliation of the movements in the corresponding onerous liability for the current reporting period (p. 122-123).
 - Yes. This information would seem to be readily available from most accounting systems for interim reporting. We appreciate FASB making this disclosure optional for nonpublic companies.
- 5. A tabular reconciliation of the movements of the assets recognized from the costs to obtain or fulfill a contract with a customer (p. 128).
 - Yes. This information would seem to be readily available from most accounting systems for interim reporting. We appreciate FASB making this disclosure optional for nonpublic companies.

Question 6: Do you agree that an entity should apply the proposed control and measurement guidance to account for the transfer of nonfinancial assets that are not an output of an entity's ordinary activities?

Response: Yes. We believe the application of the proposed guidance to nonfinancial transactions would be beneficial to users and preparers (GAAP and/or IFRS) by streamlining and making the revenue recognition standards more concise. However, we would like to clarify our belief that the classification of the gain and loss remain unchanged.