



**University of Nevada, Reno**  
**Master of Accountancy Students**

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University of Nevada, Reno

March 12, 2012

Ms. Susan M. Cospers  
Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856-5116

By e-mail: director@fasb.org

**Re: Proposed Accounting Standards Update (Revised) –  
Revenue Recognition (Topic 605) Revenue from Contracts with Customers**

**(File Reference No. 2011-230)**

Dear Ms. Cospers:

We welcome the opportunity to comment on the above captioned Exposure Draft. As graduate students of the Master of Accountancy program at University of Nevada, Reno, we have deliberated the Exposure Draft and prepared the attached comments. If you would like additional discussion with us, please contact Mark Conway at Conwaymatunr@gmail.com, Robert Reed at Robertreedunr@gmail.com, or Thomas Cho at Hyuksangcho@gmail.com.

Sincerely,

Mark Conway  
MAcc '12

Robert Reed  
MAcc '12

Thomas Cho  
MAcc '12

Attachment

## **University of Nevada, Reno Master of Accountancy Students**

### **Comments on**

### **Re: Proposed Accounting Standards Update (Revised) – Revenue Recognition (Topic 605) Revenue from Contracts with Customers**

**(File Reference No. 2011-230)**

We have reviewed and discussed the Financial Accounting Standards Board and the International Accounting Standards Board's (Boards) proposed Accounting Standards Update (Revised) – Revenue Recognition (Topic 605) Revenue from Contracts with Customers, and we have addressed the six questions that the Boards have requested responses to.

#### **Responses to the six questions raised by the Boards**

##### **Question 1:**

We agree with the two criteria proposed for recognizing revenue for performance obligations satisfied over time as specified in Paragraphs 35 and 36. However, our concern pertains to the language used to apply the alternative use criteria for performances which do not create an asset for the entity, specifically regarding the significant cost to direct the asset to another customer. The lack of any guidance for what are considered significant costs can lead to substantially differing judgments by management as well as different applications of the proposed standard. We believe that the Boards should define what significant costs are.

##### **Question 2:**

We believe that a profit or loss presented adjacent to the revenue line item would clarify the customer's credit risk attributed to revenue recognized. Therefore, we agree with the proposed guidance in Paragraphs 68 and 69.

##### **Question 3:**

We agree with the Boards' principle-based approach to the guidance concerning constraints on the cumulative revenue that an entity would recognize for satisfied performance obligations.

##### **Question 4:**

We do not agree with the proposed scope of the onerous test. By having the scope at the specific obligation level, too much attention is being given to costs in excess of revenue of each obligation for a contract which might still be profitable over the entire period. For example, a company might enter into a contract with full knowledge that parts of the contract will be onerous but will still be profitable overall.

Having the scope at the specific obligation level does not change the actual amount of overall costs incurred, but the representation of those costs at said scope could lead the users of the financial statements to believe that the costs were more. Moving the scope to the contract level would provide a clearer representation of a contract's substance as a whole and would be more useful to the users of the financial statements.

### Question 5:

While we believe that additional disclosures regarding revenue recognition would help creditors, as well as current and potential investors, we are firmly convinced that the benefits gained by the amount of disclosures being considered by the Boards for interim financial statements would not outweigh the substantial increase in costs to both prepare and review those financial statements. Our views on the specified disclosures are as follows:

1. *The disaggregation of revenue*—We agree that increased amount of disaggregated information regarding revenue will enhance the reporting of the nature, amount, timing, and uncertainty of revenue and cash flows that are affected by economic factors. Of the seven examples laid out in Paragraph 115, (a) and (b) will be most helpful to the creditors and investors. The other five examples could offer marginal benefits at best.
2. *A tabular reconciliation of the movements in the aggregate balance of contract assets and contract liabilities for the current reporting period*—Compliance to shorter time frame of quarterly reporting provides marginal benefits to average investors and creditors at higher costs to the firms. We do not agree with this proposal outlined in Paragraph 117.
3. *An analysis of the entity's remaining performance obligations* We strongly believe that requirements 3 and 4 would be too burdensome to the reporting entities for marginal benefits.
4. *Information on onerous performance obligations and a tabular reconciliation of the movements in the corresponding onerous liability for the current reporting period*—In addition to the reasoning discussed in #3, disclosures regarding onerous performance obligations could be appropriate on an annual basis but not on a quarterly basis.
5. *A tabular reconciliation of the movements of the assets recognized from the costs to obtain or fulfill a contract with a customer*—Again, we believe that this requirement for interim financial statements offers marginal benefits at relatively higher costs to the reporting entities.

### Question 6:

We agree with the proposed guidance on control to determine when to derecognize the asset as well as the proposed measurement guidance to determine the amount of gain or loss to recognize upon derecognition of the asset.