



13 March, 2012

Dear International Accounting Standards Board:

This response represents the collective input of the Intermediate Accounting students at the American University in Bulgaria to the Exposure Draft on "Revenue from Contracts with Customers."

Some of us have raised some questions about 1) the Draft's application to accounting for contracts involving "sub-contractors" or other intermediaries in Question 1 and 2) the precise meaning of "or other evidence" presented parenthetically in Paragraph IN28. Those questions notwithstanding, we are unable to agree on an alternative approach to resolving either of those questions.

We are, however, able to agree on a suggested change in the Draft's terminology – in particular, its use of the word "onerous" to describe a contract whose "lowest cost of settling the performance obligation exceeds the amount of the transaction price allocated to that performance obligation."

We conducted an informal survey among our faculty and students from 46 different countries; we surveyed individuals from within and from outside the business department and individuals with English as a first and as a second language. We split the survey into two parts to avoid corrupting responses across two questions.

We first asked this question: "Mike offers John \$1,000 to make a guitar, and John agrees. As John is working on the guitar, he realizes that the total cost of the guitar will be \$1,100. How would you describe John's contract with Mike?"

Different versions presented these alternative responses in scrambled order: a) "Unprofitable," b) "Onerous," c) "Burdensome," d) "Grievous," and e) "Other _____."

72% of the 143 usable responses indicated they would describe this contract as "Unprofitable." The second most popular response was "Burdensome" with 8% responding with that answer.

We believe the survey suggests use of the word "onerous" in this context fails to communicate well the nature of contract's relative costs and benefits to the contractor.

We subsequently and separately asked this question: "What is a good synonym for the English word *ONEROUS*?"

Different versions presented these alternative responses in scrambled order: a) "Unprofitable," b) "Severe," c) "Burdensome," d) "Crushing," e) "Other _____," and f) "I think I just learned a new English word!"

Of the 189 usable responses, only 5% indicated they thought "unprofitable" was a good synonym for "onerous," and none of them are individuals whose first language is English. 51% of respondents indicated the word was new to them.

Our experience in reading the Draft as a new document and the results of our informal survey suggest to us that the word "unprofitable" is a better descriptor for the contracts in question than the Draft's word, "onerous."



American University in Bulgaria

Because "onerous" can, and often does, refer to extremely negative outcomes, several of us assumed at first reading of the Draft that the contracts in question contained clauses calling for severe punitive damages in event of non-performance. That is, few of us imagined at first reading that "onerous" was intended to mean something as mild as the Draft's definition.

With careful reading, the definition becomes clear, of course. But everyone who first heard the word, "onerous," was left with a question about what the word means in the context of revenue recognition.

Meanwhile, virtually no one seems confused by describing the contracts in question as "unprofitable."

We believe that accountants are like journalists who communicate information to those unfamiliar with the technicalities we develop inside of our respective professions – accountants and journalists are not nuclear physicists who speak and understand a language unique to themselves.

We believe use of the word "onerous" creates a significant barrier to understanding by its ambiguity, by its implied severity, and by its rare use in a business context. We believe that applying an esoteric meaning to the general English word "onerous" needlessly raises the cost incurred by the audience we serve; it, therefore, reduces the value of the service we provide to society.

Accordingly, we respectfully suggest replacing the word, "onerous," with the word, "unprofitable."

Thank you for the opportunity to present our collective view.

Sincerely,

The 25 students enrolled in Intermediate Accounting II at the American University in Bulgaria, Spring 2012.