Technical Director
Financial Accounting Standards Board
Connecticut.

Re: Comment on Exposure Draft “Revenue Recognition-Topic 605;
   File Reference 1820-100”

I wish to draw your attention to the disparate legal jurisdictions that the proposed standard\(^1\) will be implemented in. Not all adoptee countries use Roman or Common law as Western adoptees know it.

This has ramifications for unsolicited sales. While consumers can raise a code defense for the receipt of unordered goods,\(^2\) I wish to draw your attention to this practice at the wholesale level.

The obvious answer is that as the goods were not ordered there is no contract and therefore no sale was made and the recipient company can return the goods.

However, in the current economic climate there is evidence that some wholesalers are shipping out unordered goods to retail customers in order to boost sales revenues in the ubiquitous fourth quarter. While such shipments may be illegal the retailer in many cases may rely on the wholesaler in question, e.g. a sole distributor relationship, and thereby have a dependent relationship with the supplier who is now abusing the relationship.

One hypothetical outcome is that the sale is subsequently consummated directly or indirectly.

However, it is undeniable that such actions defeat the “fairly presents” or ‘true and fair’ principle at the yearend date when revenue is recognized for Income Statement purposes.

Comparability, both intra and inter industry is lost.

I urge the board to address:
   1.) The connection between sales revenues and unsolicited sales in different legal jurisdictions.
   2.) The need for inclusion of a specific clause forbidding such sales to be recorded until consummated.

I commend your efforts to provide a more robust framework for addressing revenue recognition issues internationally.

Yours sincerely,

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\(^1\) the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) initiated a joint project to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and IFRSs... (INZ)

\(^2\) TITLE 39 > PART IV > CHAPTER 30 > § 3009 in USA.

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