March 20, 2012

Via email to director@fasb.org

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

Re: Proposed Accounting Standards Update (Revised) – Revenue Recognition (Topic 605), Revenue from Contracts with Customers, File Reference No. 2011-230

Chevron Corporation (Chevron) appreciates the opportunity to provide comments to the Financial Accounting Standards Board and the International Accounting Standards Board (the “Boards”) regarding the revised proposed Accounting Standards Update, “Revenue Recognition (Topic 605), Revenue from Contracts with Customers” (the “Proposal”).

Chevron is a global, integrated energy company based in San Ramon, California. The company explores for, produces and transports crude oil and natural gas; refines, markets and distributes transportation fuels and other energy products; manufactures and sells petrochemical products; generates power and produces geothermal energy; provides energy efficiency solutions; and is developing energy resources for the future, including biofuels. The company’s activities are widely dispersed geographically, with operations in North America, South America, Europe, Africa, the Middle East, Asia and Australia.

Overall, Chevron appreciates the changes made during redeliberations that we believe are the result of the Boards’ extensive outreach efforts and attention to themes raised in comment letters. However, we have concerns regarding the following aspects of the proposal that we hope the Boards will consider in their upcoming redeliberations:

- Identification of performance obligations in contracts that involve the repetitive delivery of an identical product over time
- Assessment of onerous provisions at the performance obligation level
- The volume and type of information required to be disclosed

We offer our comments and suggestions for these topics below. In addition, we offer comments for the Board to consider regarding transition issues and the effective date of the final guidance.

Identifying separate performance obligations

Most crude oil, refined products, natural gas and chemicals delivered to a customer can be viewed as fungible goods that are instantaneously controlled and consumed by the customer upon receipt. Like others in the oil and gas, natural gas utility and electric power industries, we believe that an entity can view these transactions as either a series of individual performance obligations or one performance
obligation delivered over a period of time. The distinction between the two is important as a number of our contracts with these characteristics have terms that are longer than one year, thereby making them subject to testing for onerous provisions and disclosure of remaining performance obligations.

We currently account for these contracts as individual deliveries at a point in time, and believe that the Boards intended that this accounting should not change as indicated in paragraphs BC62 and BC76. As the Basis for Conclusions will not become GAAP, we ask that the Boards amend the language in paragraphs 28, 29 and 35 through 37 and/or provide implementation guidance, including examples, to assist in applying the guidance.

In addition, we ask that the Boards incorporate the comments made in the February 29, 2012 joint FASB and IASB webcast in either paragraph 30 or the implementation guidance, clarifying that the practical expedient in paragraph 30 may be viewed in one of two ways.

- Two or more different products or services may be accounted for as a single performance obligation if those goods or services have the same pattern of transfer to the customer.
- Repetitive deliveries of the same product or service may be accounted for as a single performance obligation, so long as doing so does not produce a different accounting result than accounting for each delivery separately.

**Provisions for onerous performance obligations**

We believe that onerous provisions should be addressed in a liability standard rather than in a revenue standard. IFRS already has guidance in IAS 37 to address onerous contracts. We believe the FASB could accomplish this by moving literature related to onerous contracts in ASC 605-35, with its current scope, to ASC 450, “Contingencies,” and then initiating a project to address these issues.

If the Boards decide to continue to address onerous provisions in this revenue standard, we believe that the assessment should be at a contract level and the test should take into account the wider economic benefits, such as risk management strategies employed by the entity to mitigate costs, in order to make the information meaningful to financial statement users.

**Disclosures**

Overall, we continue to be concerned with the disclosure requirements for both annual and interim reporting periods and continue to believe the proposed requirements will likely overwhelm the average financial statement user with information that is not useful in decision making. Specifically, as indicated in our October 20, 2010 comments, we disagree with the proposed disaggregation of revenue by economic factors. In addition, we believe that the contract reconciliation and roll-forward information is redundant. Our specific concerns and suggestions are discussed below.

*Disaggregation of revenue (paragraphs 114 – 116)*

We continue to believe that for public companies disaggregated information should be presented by reportable segment, as this is the basis that it is received and reviewed by the Chief Operating Decision Maker (CODM) as provided under the current principles within ASC 280, “Segment Reporting” (ASC 280). We believe this should be clearly noted in paragraph 114, along with applicable ASC 280 references. We note that from the discussion in paragraph BC253 that the Boards are concerned with providing guidance for entities that do not apply ASC 280 or use non-GAAP measures in their
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presentations. To avoid confusion, we also ask that the Boards consider clearly noting that the examples of disaggregated revenue provided in paragraph 115 should only be considered by those entities and that all other entities should look to guidance in ASC 280 or IFRS 8.

Contract reconciliation and roll-forward information (paragraph 117)

We agree that it would be useful for a company to report quantitative and possibly qualitative information for material contract assevs and liabilities recorded at the end of a period. We also believe that it would be useful for companies to report the location of this information on the balance sheet.

However, we continue to believe that the contract reconciliation is unnecessary. This is based on our view that components of the roll-forwards are, for the most part, already presented in the Statement of Comprehensive Income and/or the Statement of Cash Flows (i.e., revenue, changes in receivables, effects of business combinations, etc.). Therefore, we believe that any benefits that financial statement users obtain from this redundant information will be outweighed by the costs to collect, summarize, review, audit and apply additional XBRL tags to the data. We hold this view for both annual and interim reporting.

Performance obligations (paragraphs 119-121)

We believe an analysis of remaining performance obligations will require significant system implementation effort to prepare information that is not needed for any other purpose. In addition, we believe the information generated will not be useful to financial statement users as it will be incomplete (includes only existing contracts) and could be misleading (based on estimated transaction prices).

Furthermore, we believe that companies have other avenues to communicate future revenue streams outside the financial statements, including Management’s Discussion and Analysis, earnings calls, meetings with lenders and/or investors, etc. We believe these are more useful avenues to communicate expected future revenue than in the notes to the financial statements as such information is more readily placed in context and revenue drivers can be more readily shared.

Transition and effective date

We continue to prefer an option to select between alternative transitions methods, particularly where management deems that trend information may not be impacted, such as that provided for in ASU 2009-13, “Multiple Deliverable Revenue Arrangements” and ASU 2009-14, “Certain Revenue Arrangement that Includes Software Elements,” where the prospective method was permitted as an option to the retrospective method.

Should the Boards continue to prefer retrospective adoption subject to certain practical expedients, we ask that the Boards consider the time needed by preparers when considering what constitutes “a long lead time.” Preparers need time to update processes, reprogram revenue and other systems, and revise internal controls, all of which we believe need to be in place for most companies to generate auditable comparative data to be reported at the effective date.

We estimate that it will take a multi-national company the size of Chevron, with its multiple systems and global operations, at least one year to finalize a detailed transaction-level assessment of the new guidance and to prepare systems, update processes and test controls over financial reporting under the new model.
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In addition, we believe we will likely need to run parallel consolidation reporting systems during the transition period in order to generate auditable retrospective information under the new model for these periods. Because we process over half a million revenue transactions a month, excluding point of sale transactions at our retail outlets, the complexity of these system efforts must not be underestimated.

Given this work and assuming that U.S. public companies are only required to generate three years of comparative data, we believe the Boards should consider an effective date no sooner than four years after the issuance of a final standard. In addition, given the interaction with the leasing project, we ask that the Boards consider making the leasing and revenue recognition standards effective at the same time and that the timing be based on work associated with implementing both standards.

* * *

We trust our comments are helpful to the FASB and IASB in determining next steps for the project.

If you have any questions on the content of this letter, please contact Al Ziarnik, Assistant Comptroller, at (925) 842-5031.

Very truly yours,