**Solution fei** 

Letter of Comment No:13
File Reference: 1050-001
Date Received: 3|25|02

March 29, 2002

Mr. Tim Lucas
Director of Research and Technical Activities
Financial Accounting Standards Board
401 Merritt 7
P. O. Box 5116
Norwalk, CT 06856-5116

RE: Proposal for a New Agenda Project

Dear Mr. Lucas:

The Committee on Corporate Reporting (CCR) of Financial Executives International appreciates the opportunity to express its views on the Proposal for a New Agenda Project – Issues Related to the Recognition of Revenues and Liabilities.

Consistent with many of the views expressed in response to the 2001 Annual Survey of the Priorities of the FASB, CCR agrees it is important that the FASB address revenue recognition. The FASB should add to its agenda a project to eliminate the gap between broad conceptual guidance and the detailed revenue recognition guidance for particular industries and transactions. Existing ad hoc rules are wholly unsatisfactory and burdened with inconsistent theory.

CCR strongly opposes a scope that is broader than revenue recognition. We encourage a principled yet pragmatic and focused project on revenue. Frankly, we do not believe that a project that includes a re-examination of the concepts statements can be contained in such a manner as to reach conclusion in a reasonable time frame.

CCR agrees with the FASB's proposal to undertake this project in two distinct simultaneous phases ("top-down" and "bottom-up"). As noted above, an important goal of this project should be to close the gap between the broad guidance at the concepts level and the detailed revenue recognition guidance for particular industries or transactions, and we believe an iterative process will be useful in achieving that goal.

One caution that CCR believes is necessary relates to transition. We observe that there could be significant resistance, both from preparers as well as users, to a transition provision that would adjust presently deferred revenues to equity. Logically, we believe that an enterprise's aggregate revenues should be reported as revenues in the earnings statement, not as an accounting adjustment.

Comments on the specific issues raised in the Proposal are attached. If you have any questions, please contact Bob Laux of Microsoft at (425) 703-6094.

Sincerely,

Philip D. Ameen

Mily D Amean

Chairman

FEI Committee on Corporate Reporting

## Attachment

Issue 1: Is there a need for the FASB or others to comprehensively address issues associated with the recognition of revenues and liabilities? If yes, should the FASB take on such an effort or defer to others? If so, to whom?

Response: The FASB should address revenues comprehensively. Too many irreconcilable ad hoc models are now in effect, and only the FASB can resolve the differences. This is a project of vast scope that will strain the FASB and constituent resources. Recognition of liabilities should be dropped in order to keep the scope reasonably manageable. CCR also observes that there could be significant resistance, both from preparers as well as users, to a transition provision that would adjust presently deferred revenues to equity. Logically, we believe that an enterprise's aggregate revenues should be reported as revenues in the earnings statement, not as an accounting adjustment.

Issue 2: Is the proposed scope of such a project as described in this proposal insufficient, appropriate, or too ambitious?

Response: Appropriate and necessary with regard to revenues, but impossibly ambitious with regard to liabilities.

Issue 3: Should specific issues identified above or in the appendix be excluded from the scope of the proposed project? If yes, for each specific issue, please indicate whether it should be addressed as part of another FASB project, by others, or not at all and why.

Response: As indicated previously, what is needed is guidance that closes the gap between the broad guidance at the concepts level and the detailed revenue recognition guidance for particular industries or transactions.

Issue 4: Should specific issues *not* identified above or in the appendix be addressed as part of the proposed project? If yes, please describe the specific issue and indicate why it is sufficiently crucial that it should be addressed as part of the proposed project.

Response: No.

Issue 5: Should the proposed project, in addition to developing a new, general accounting standard on revenue recognition and revising the related guidance on revenues and liabilities in Concepts Statements 5 and 6, develop a new, general accounting standard on liability recognition?

Response: No. As mentioned previously, CCR is strongly opposed to the inclusion in this project of issues concerning the clarification of the liabilities definition in the Concepts Statements or the recognition criteria that apply to liabilities.