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Financial Accounting Standards Board Attn: Technical Director, File Reference 1820-100 400 Merritt 7 PO Box 5116 Norwalk, CT 06856-5116

Dear Director:

Thank you for the opportunity to comment on the joint FASB and IASB Exposure Draft on Revenue Recognition (Topic 605). Before I answer question ten of the conceptual framework, I would like to voice some comments on disclosure.

The proposals in paragraphs 69 through 83 regarding disclosure fulfill the need for relevance and usefulness required of financial statement notes but they ask accountants to comply with two opposing responsibilities, full disclosure and brevity.

- Full disclosure can be defined as complete, comparable, verifiable, and timely disclosure. By this I mean that footnotes should fully explain the details used to calculate items, in this case revenue. In the wake of the financial crisis, there is a general trend toward more in-depth disclosure and for good reason. Many different people, from bankers, to stock holders, to financial analysts read financial statements. These statements need to be understood by *anyone* with a reasonable amount of business and accounting knowledge. Understandability is possible when the income statement's notes include all relevant information that can help readers correctly the revenue figure on the income statement and therefore make informed, timely financial decisions.
- On the other hand, we are asked to fulfill the responsibility of brevity. As previously noted, many decisions and estimations go into calculating revenue. The proposed footnote to explain this calculation will result in a lengthy explanation. I remind readers that this lengthy note is for one of the items on the income statement. There are many more that require explanations as well. Once again, because financial statements are read by people with varying degrees of accounting knowledge, some readers will get lost in the abundant information. Additionally, firms will have increased costs related to the work required to fully explanation revenue calculations.

In the wake of the global economic turmoil, I feel that adequate disclosure should be further discussed so that accountants can find a balance between brevity and full disclosure. This balance is crucial, both for understandability, and for ethical representation of a company's financial standing. Paragraph 70 of the proposal states that disclosures should not obscure useful information by including too much

insignificant information or aggregating dissimilar items. If accountants provide an abundance of information, they not only confuse the reader, but provide a hiding place for unethical deeds. However, if accountants do not provide enough information, figures such as revenue can be misrepresented. In other words, sufficient detail with sufficient condensation is necessary. However, what is "sufficient detail" and what is "sufficient condensation?" We need to further discuss this issue. Although I fully believe in more in-depth disclosure, it is my fear that it will lead to more harm than good.

The following is my response to one of the questions regarding disclosure:

Question 10: The objective of the Boards' proposed disclosure requirements is to help users of financial statements understand the amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Do you think the proposed disclosure requirements will meet that objective? If not, why?

Performance and onerous performance obligations of paragraphs 77 through 80 include highly valuable information to users of financial statements. These paragraphs require an explanation of the nature of performance obligations, the timing, and any liability recognized for onerous performance obligations. This information provides the full explanation of recognized revenue that the Board is attempting to achieve. A full explanation is necessary because the same numbers on two different income statements could represent two very different performances. For example, if two companies reported \$1 million in revenue, those two numbers can mean vastly different things to savvy readers of business documents, depending upon obligations, methods of calculation, materiality and etcetera. Income statements are full of assumptions and estimations. Full disclosure is the only way to truthfully represent any number in a financial statement, especially revenue, which is the usually the largest number in the income statement. After all, it is management which makes decisions such as which obligations are onerous or otherwise and readers should get an explanation of these decisions. Trusting blindly in the assumptions and decisions of management can severely impact a reader's ability to make sound financial decisions.

The proposed principles should emphasize strong qualitative and judgmental facts within the footnotes as a way to balance full disclosure and brevity. As we move away from rules and toward principles, it is important to make sure these principles are strong in nature, which will result in comprehensive figures and make it difficult to create unscrupulous financial statements. *Rules* would regulate the specific information necessary in the financial statements; *principles* will regulate the *type* of information necessary in the financial statements. This is the only weapon we have against too much insignificant information or a lack of disclosure.

Sincerely,

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