Len Tatore

From: Sent: To: Subject:

Andrew Hodulik [ahod@comcast.net] Tuesday, March 26, 2002 12:13 AM director@fasb.org

Recognition of revenues and liabilities

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Timothy S. Lucas, Director Research and Technical Activities Financial Accounting Standards Board

Re: Recognition of revenues and liabilities

Dear Mr. Lucas:

In response to the request for comments on the proposal to add the above referenced subject to the Board's agenda, please accept my endorsement for such an undertaking.

As the accounting profession is in the grips of crisis with the many issues surfacing indicating questionable financial statement reporting practices, there is no doubt the current rules need to be reexamined.

Hearing the concerns over indecipherable financial statements, the Board must address revenue and liability recognition while at the same time also look to providing statements that can be discerned by the less than sophisticated reader (present company included).

Briefly, it is the writer's belief revenue recognition should ideally match cash flows from revenue sources, or in essence, that a modified cash basis for revenue recognition should be adopted. Through experience, the flow of cash is essential in both financial statement reporting and auditing. Some entities must utilize separate systems to track cash activity for the statement of cash flows. An entity that cannot exhibit revenues through cash flow activity over a normal twelve-month operating cycle would require both additional procedures and reporting. Obviously, the reporting of cash flows as revenues would be subject to the earned or substantially accomplished criterion.

On the other hand, liability recognition should be based on full accrual, capturing all future obligations that may arise based upon current or existing events. There should never be a doubt as to the recognition and accrual for expenses related to any future obligations including post-retirement benefits and the impact of stock options that may be exercised in future periods.

No doubt, this conservative approach will have an initial impact on the bottom line in the initial year of implementation. However, the more conservative, the greater chance for reliability.

Thank you for the opportunity to express these thoughts. Any movement towards the revenue and liability recognition project should include due consideration towards standards overload. The Board cannot be expected to provide rules for every accounting issue that arises. It should be management's and the auditor's responsibility to follow basic concepts and to apply them accordingly. And by providing a conservative framework, the Board can set a foundation that will lead to improved reporting.

These concepts are indeed simplistic, but it would seem the public is

asking for just that. I would be more than happy to assist the Board in anyway it may request in order to move this undertaking forward.

Very truly yours,

Andrew G. Hodulik, CPA