



## FLORIDA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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### **FASB Proposed Accounting Standards Update: Revenue Recognition (*Topic 605*)**

The Accounting Principles and Auditing Standards Committee of the Florida Institute of Certified Public Accountants (the "Committee") has reviewed and discussed the above Proposed Accounting Standards Update (the "Update"). We appreciate the opportunity to respond to the Update. Our comments are outlined below. These comments specifically relate to the Questions for Respondents and an additional comment on a specific question's topic.

#### **Recognition of revenue**

1. Yes, the Committee agrees with the principle related to price interdependence and contract modification.
2. Yes, the Committee agrees the principle for determining when a good or service is distinct appears to identify good that have stand alone value.
3. Yes, the referred proposed related implementation guidance appears to be sufficient for determining when control of a promised good or service has been transferred to a customer, with supporting examples.

#### **Measurement of revenue**

4. The criteria in paragraph 38 appears to provide simple guidelines to be applied for the recognition of revenue from a performance obligation and is based on the historical experience with similar types of contracts.
5. The committee agrees that credit risk should affect how much revenue an entity recognizes rather than when.
6. An entity should adjust the amount of promised consideration to reflect the time value of money when the contract includes a material financing component. This could lead to clearer comparability between various contracts.

7. The transaction price should be allocated to all separate performance obligations in a contract in proportion to the stand alone selling price, even if estimated, of the good or service underlying each of the performance obligations.

### **Contract Costs**

8. Yes, the Committee agrees that if costs incurred in fulfilling a contract do not give rise to an asset eligible for recognition in accordance with other standards, an entity should recognize an asset only if those costs meet the specified criteria. The proposed guidance on accounting for the costs of fulfilling a contract appears to be operational and sufficient.
9. Yes, we agree with the costs specified.

### **Disclosure**

10. Yes, the proposed disclosures would help users of the financial statements understand the amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.
11. The Committee believes that the entity should disclose the amount of its remaining performance obligations and the expected timing of their satisfaction for contracts with an original duration expected to exceed one year, if measurable and likely to occur.
12. We agree that an entity should disaggregate revenue into the categories that best depict how the amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Committee believes that doing so would provide useful information and allow for better analysis.

### **Effective date and transition**

13. The Committee believes that it is more appropriate to use a modified approach that would require retrospective application to existing material contracts and those that are greater than one year. The requirement to apply the guidance retrospectively to all contracts in existence during any reporting periods presented could prove cumbersome and require multi-year application to contracts with long terms.

### **Implementation guidance**

14. Yes, the Committee believes the implementation guidance is sufficient to make the proposed standards operational.
15. We agree with the proposed distinction between the types of warranties and the proposed accounting for each type of product warranty.
16. Yes, the pattern of revenue recognition appears to reflect the ongoing, or lack of ongoing, obligation of the Company. This method simplifies the methodology and creates greater comparability between entities.

### **Consequential amendments**

17. The Committee agrees based on the explanation provided at BC251, that currently there is a lack of guidance in GAAP to account for these sales which are not an output of an entity's ordinary activities and do not constitute a business or non-profit activity. Considering the current noted deficit of sufficient guidance, this would provide accounting direction for consistency for these types of asset sales.
18. The Committee believes that this guidance is sufficient for non-public entities and no other guidance specific would be necessary.

Again, the Committee appreciates this opportunity to share its views and comments on the Draft. Members of the Committee are available to discuss any questions you may have regarding this communication.

Sincerely,

Steven Wm. Bierbrunner, CPA Chair  
FICPA Accounting Principles and Auditing Standards Committee

Committee Members Coordinating this Response:  
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