

FASB Revenue Recognition

Electronic Feedback Form Response

Date of Entry: 2/16/2012

Respondent information

Type of entity or individual:

Individual

Contact information:

Organization: University of Idaho

Name: Teresa P Gordon

Email address: tgordon@uidaho.edu

Phone number: 208-669-4122

Questions and responses

1. Paragraphs 35 and 36 specify when an entity transfers control of a good or service over time and, hence, when an entity satisfies a performance obligation and recognizes revenue over time. Do you agree with that proposal? If not, what alternative do you recommend for determining when a good or service is transferred over time and why?

I am responding after studying the examples, esp. Example 5. If construction is considered a highly interrelated bundle of goods and services, then these paragraphs (when implemented) should result in something quite similar to current percentage of completion method of accounting. This seems quite different from my recollection of the first exposure draft. I think this is a good change to make. The rationale is sensible and logical. Going by the example (rather than just the 2 paragraphs indicated), the paragraphs seem like "good GAAP" to me.

2. Paragraphs 68 and 69 state that an entity would apply Topic 310 or IFRS 9 to account for amounts of promised consideration that the entity assesses to be uncollectible because of a customer's credit risk. The corresponding amounts in profit or loss would be presented as a separate line item adjacent to the revenue line item. Do you agree with those proposals? If not, what alternative do you recommend to account for the effects of a customer's credit risk and why?

Acceptable. In other words, bad debt expense would no longer be a expense. It would be reported as contra-revenue. There is no difference on the bottom-line either way.

3. Paragraph 81 states that if the amount of consideration to which an entity will be entitled is variable, the cumulative amount of revenue the entity recognizes to date should not exceed the amount to which the entity is reasonably assured to be entitled. An entity is reasonably assured to be entitled to the amount allocated to satisfied performance obligations only if the entity has experience with similar performance obligations and that experience is predictive of the amount of consideration to which the entity will be entitled. Paragraph 82 lists indicators of when an entity's experience may not be predictive of the amount of consideration to which the entity will be entitled in exchange for satisfying those performance obligations. Do you agree with the proposed constraint on the amount of revenue that an entity would recognize for satisfied performance obligations? If not, what alternative constraint do you recommend and why?

Going by Example 12, scenario 2, this paragraph seems reasonable to me.

4. For a performance obligation that an entity satisfies over time and expects at contract inception to satisfy over a period of time greater than one year, paragraph 86 states that the entity should recognize a liability and a corresponding expense if the performance obligation is onerous. Do you agree with the proposed scope of the onerous test? If not, what alternative scope do you recommend and why?

Thanks for putting in paragraph 90 because the onerous contract provisions would make little sense in most not-for-profit settings. Financial statement users certainly need to know about the potential costs to be incurred under onerous business contracts. I see some potential for abuse by choosing the "lowest cost" rather than the "most likely" cost of settling the performance obligation. I suggest "most likely" to be the better approach.

5. The Boards propose to amend Topic 270 on interim reporting and IAS 34, Interim Financial Reporting, to specify the disclosures about revenue and contracts with customers that an entity should include in its interim financial statements. The disclosures that would be required (if material) are: A. The disaggregation of revenue (paragraphs 114 through 116) B. A tabular reconciliation of the movements in the aggregate balance of contract assets and contract liabilities for the current reporting period (paragraph 117) C. An analysis of the entity's remaining performance obligations (paragraphs 119 through 121) D. Information on onerous performance obligations and a tabular reconciliation of the movements in the corresponding onerous liability for the current reporting period (paragraphs 122 and 123) E. A tabular reconciliation of the movements of the assets recognized from the costs to obtain or fulfill a contract with a customer (paragraph 128). Do you agree that an entity should be required to provide each of those disclosures in its interim financial statements? In your response, please comment on whether those proposed disclosures achieve an appropriate balance between the benefits to users of having that information and the costs to entities to prepare and audit that information. If you think that the proposed disclosures do not appropriately balance those benefits and costs, please identify the disclosures that an entity should be required to include in its interim financial statements.

These disclosures seem to have potentially useful information if we don't get lost in pages of detail. I don't have a particular suggestion but shouldn't the interim requirements be less onerous? Example 19 is pretty complex and only has part of the info listed above. And this is for a company with only 2 types of customer contracts (unlike the long list in paragraph 115).

6. For the transfer of a nonfinancial asset that is not an output of an entity's ordinary activities (for example, property, plant, and equipment within the scope of Topic 360, IAS 16, or IAS 40), the Boards propose amending other standards to require that an entity apply the proposed guidance on control to determine when to derecognize the asset and apply the proposed measurement guidance when determining the amount of gain or loss to recognize upon derecognition of the asset. Do you agree that an entity should apply the proposed control and measurement guidance to account for the transfer of nonfinancial assets that are not an output of an entity's ordinary activities? If not, what alternative do you recommend and why?

Agree

- A1. Do you agree that the proposed amendments that codify the guidance in the proposed Update on revenue recognition have been codified correctly? If not, what alternative amendment(s) do you recommend and why?

I scanned through this long part of the document. I would still like to see how the new provisions would apply to the sale of timeshare units and the like. We are eliminating a large amount of guidance that was put into place presumably due to abuses. Will the lack of guidance with respect to retail real estate sales facilitate new scandals in this area?

A2. Do you agree that the proposed consequential amendments that would result from the proposals in the proposed Update on revenue recognition have been appropriately reflected? If not, what alternative amendment(s) do you recommend and why?

see comment above

ClarifyingComments. Please provide any additional comments on the proposed Update:

OtherComments. Please provide any comments on the electronic feedback process:

Boxes provided are awfully small - if one really had substantive suggestions to make, this is a very hard way to do it. I saw several typos on the "final" version and it would have been nice to be able to edit them in a format where I could actually read the whole paragraph! In fact, I had to close the survey window and start over to get back to the parts that needed fixing so I pretty much gave up on fine tuning my writing. Maybe this was due to poor wifi connection here.
