

Advocacy Comments on FASB Exposure Draft on Revenue Recognition

On October 29, 2010, the Small Business Administration's Office of Advocacy (Advocacy) filed a comment letter in response to an Exposure Draft issued by the Financial Accounting Standards Board (FASB), which proposed an Accounting Standards Update of Topic 605, File Reference No. 1820-100. Advocacy is concerned that the Exposure Draft would have negative consequences for small businesses. A complete copy of Advocacy's comments may be accessed at <http://www.sba.gov/advo/laws/comments/>.

- The Exposure Draft takes a "performance obligation" approach to valuing contracts whereby revenue would be recognized when goods or services, or both, are transferred to the customer. In contrast, today's approach to earning revenue is based on the income statement.
- FASB issued the Exposure Draft for the purpose of achieving greater convergence of the Generally Accepted Accounting Principles (GAAP) with the International Financial Reporting Standards (IFRS).
- On October 20, 2010, Advocacy staff participated in a conference call with FASB staff responsible for drafting the Exposure Draft. During the conference call, Advocacy conveyed to FASB staff the various concerns of small businesses that the Exposure Draft, if finalized, would negatively impact small businesses. Advocacy commended FASB for participating in the conference call.
- FASB assured Advocacy that the process to finalize the Exposure Draft would be open and transparent to the public, and that FASB would take into account the concerns of small businesses during this process. Advocacy looks forward to working with FASB during this process to minimize the burdens of Exposure Draft on small businesses

For more information, visit Advocacy's Web page at <http://www.sba.gov/advo> or contact Assistant Chief Counsel Dillon Taylor by email at dillon.taylor@sba.gov or by phone at (202) 401-9787.