DELPHI

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Mr. Timothy S. Lucas
Director of Research and Technical Activities
Financial Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856-5116

Re: Proposal for a New Agenda Project, *Issues Related to the Recognition of Revenues and Liabilities*

Dear Mr. Lucas:

Delphi Corporation respectfully submits this correspondence communicating our position on the above noted Financial Accounting Standards Board (the "Board") Proposed New Agenda Project.

Based on the recent cases of unprecedented size alleging incorrect revenue reporting, it is apparent that revenue recognition issues continue to significantly impact financial reporting. It is also apparent that industry needs clear guidance on revenue recognition; accordingly we support the addition of this Project to the Board's agenda. However, we believe the current environment demands a swift, pragmatic and decisive response by the Board. Therefore, we strongly encourage the Board to structure the Project such that a revenue recognition standard is completed and issued no later than the end of the third quarter of 2002. To be effective the revenue recognition standard must not be limited to conceptual language; instead, the standard should provide hard and fast guidance, which is both conclusive and easy to audit.

If the Board concludes that it cannot swiftly deliver the necessary revenue recognition standard, the Board should promptly publish this conclusion. In this manner the Board will clear the way for other regulatory or governing bodies to fill the gap and provide the necessary guidance. We hope that the Board will not find this course of action necessary as we believe the Board is the appropriate body to promulgate a revenue recognition standard given their decision-making process that incorporates reasonable deliberation and due process.

We propose that the revenue recognition standard require the following minimum conditions to be present prior to recognizing revenue:

- The parties have agreed to all terms and conditions
- The seller has executed all obligations under the agreement
- The seller's price is fixed
- The transaction will be converted to a known amount of cash in a reasonably short period of time
- No reciprocal arrangements exist between the buyer and the seller

Absent industry or transaction specific guidance, if the above conditions are not met revenue should not be recognized. In summary, the result of the revenue recognition standard must be clarity in practice regarding what transactions qualify for revenue recognition.

We realize that the above criteria for revenue recognition establish a high threshold and will most likely cause concern among entities currently dealing with revenue recognition issues. We also realize that increased financial statement disclosure may be required to provide adequate information regarding future revenues and cash flows from transactions not meeting these revenue recognition criteria. However, we feel industry and the standard setting bodies have sufficiently talented people in place to deal with these challenges.

Finally, development and issuance of a revenue recognition standard should not be slowed by nonessential revisiting and correction of conceptual language, or by linkage to liability recognition guidance. Therefore, we strongly urge that conceptual language and liability recognition issues contemplated by the Project proposal be separated from those steps necessary to issue a revenue recognition standard. A separate project addressing conceptual guidance and liability recognition guidance should be subordinated to the swift issuance of a pragmatic revenue recognition standard.

Please contact us if you desire further input or clarification at (248) 813-2605.

Respectfully submitted,

Paul R. Free
Chief Accounting Officer and Controller
Delphi Corporation