

October 15, 2010

Technical Director
File Reference No. 1820-100
FASB
401 Merrit 7
PO Box 5116
Norwalk, CT 06856-5116

Mr. Bennet:

I am the partner in charge of our firm's Construction Services group. Our firm's clients consist primarily of privately held businesses with revenues of less than \$250 million. I am writing to express my disapproval of FASB's exposure draft "Revenue Recognition: Revenue from Contracts with Customers" for the following reasons:

- I believe the costs will significantly outweigh any benefit of implementing this proposed
 accounting standard for construction contractors, especially since the large majority of them are
 privately held companies without the accounting resources of a large public entity. These small
 to mid-size companies will need to pay more to their auditors or hire other outside consultants
 to help them quantify the effects of the new standards at implementation and perhaps annually
 thereafter. In addition, accounting information systems will have to be significantly redesigned
 if this proposed standard is implemented.
- 2. It goes against the basic accounting principle of matching revenues and costs in the same period.
- 3. While I understand all accounting involves some level of estimates, the proposed changes allow for much more subjectivity in the revenue recognition process. As a result, there will be opportunities for intentional manipulation and, more importantly for the small companies, unintentional inconsistencies in preparing financial statements.
- 4. If the proposed standards become effective as currently written, I believe the surety companies, the <u>most significant</u> users of US GAAP financial statements of construction companies, will request proforma financial statements under the current accounting standards for construction companies. Thus, I can see scenarios where a privately held company will need to keep four sets of books, one for management (cash flow/accrual), one for US GAAP (new standards), one for Sureties (current standards) and one for income tax purposes (IRS Code).

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It is my understanding that the accounting standard changes which FASB has been considering lately were to be designed to provide better financial information for users, while at the same time weighing the preparers' costs of implementing the changes against the perceived benefit. In my opinion, the effect of the proposed standards on construction companies misses both marks. It is cost prohibitive and it will not provide users with better financial information.

I recommend that FASB consider an exclusion for this standard for construction companies and allow them to continue using the current "SOP 81-1" standards that have been in place for three decades. If FASB has concerns with "SOP 81-1", they should address those specifically for the construction industry, rather than trying to roll up all industries under the same standard.

Let me know if you would like to discuss any of these concerns in more detail.

Sincerely,

Jonathan H. Mangels

Partner