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Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk CT 06856-5116
Attn: Technical Director – File Reference No. 1820-100

Re: Comments on the FASB and IASB's Exposure Draft on Revenue Recognition from Contracts with Customers

We appreciate the opportunity to submit the following comments related to the Board's project on revenue recognition. It is our desire to ensure that high-quality accounting for the construction industry is maintained without imposing unintended economic consequences or an unnecessary administrative burden. Our company is a heavy highway construction company functioning as a prime contractor or a subcontractor depending on the project. We have been in business for over 37 years and work in approximately a dozen states each year.

We have significant concerns over how the new standard may be applied to our company and the construction industry. The current guidance in the Exposure Draft for recognizing revenue at the "performance obligation" level presents significant challenges for our company. We believe that in most cases, ALL construction activities for a given project are highly interrelated and have overall risks which are inseparable. In addition, our management estimates and tracks costs on a contract level, understanding that some components of the job are less profitable than others, yet lacking an objective basis for determining specific profit margins for these components. We currently recognize potential losses on our jobs at fiscal year end under the GAAP accelerated loss rules. We interpret the new guidance to instruct that a loss on one performance obligation would be recognized immediately even if the rest of the job obligations were profitable. We feel this along with the probability weighting methods of estimating outcomes lends to potential for manipulation by project managers, owners, and accounting personnel, while deferring profit that this "earned" under the traditional rules. We feel this provision would be arbitrarily and inconsistently applied amongst contractors leading to greater distortion of profits than exist today. The changes will not improve financial reporting, yet will entail a considerable amount of subjective measurement and determination and will only add to our current work load and produce statements that are of no value to management, our lenders, or surety providers.

As you are aware, our surety partners use our financial statement to determine our bonding capacity. Our fear is that misleading or inconsistent data will cause the surety to misjudge their risk and limit our ability to bid work. They have indicated that, should the proposed standard be adopted, they would require us so keep a second set of statements that utilize a traditional method of revenue recognition such as SOP 81-1. We expect similar requests from our lending partners. The administrative burden to maintain a separate set of books for each user in addition to the tax and book methods already maintained is unreasonably costly.

To implement the proposed changes our company would need to add estimating and accounting staff in order to provide the amount of detail required by the standard. It is not unusual for us to have over 700 contracts in a given year, some of them very small in size. To subdivide these contracts even further would not be practical. We would also incur significant software costs to implement a system robust enough to handle this level of data. Finally, we would certainly see a sizeable increase in audit and/or consulting fees to examine and disclose a greater volume of information and more time spent on testing and analysis due to the subjective nature of the guidance.

While we appreciate the Boards efforts to create a single standard to apply to virtually all industries and transactions, we maintain a belief that the key principals of the proposed standard need to be interpreted in such a way to preserve the key tenets of SOP 81-1 for the construction industry. We believe that this proposed standard, in its current form, would have a significant and undesirable impact on the construction industry and would create an inferior set of accounting rules which are not meaningful to the users in our industry. Finally, the majority of construction companies are privately-held small businesses that, unlike their publicly-held counterparts, lack sufficient economic resources to address such sweeping changes in such a short period of time. Therefore, we request that private companies be given at least one additional year to comply with the new standards once they become effective for public companies.

We would like to thank the FASB in advance for considering the intended and unintended implications this change would have on the construction industry.

Respectfully submitted,

Andrea D Bullok

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Treasurer
Dustrol Inc.