

October 21, 2010

Technical Director – File Reference 1820-100 Financial Accounting Standards Board 401 Merritt 7 PO Box 5116 Norwalk, CT 06856-5116 (Via email to director@fasb.org) LOUIS G. RUSSELL, CPA
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Dear Technical Director and Members of Board:

Thank you in advance for considering my comments regarding the FASB's Exposure Draft on Proposed Accounting Standards Update, Revenue Recognition (Topic 605), Revenue from Contracts with Customers. I am writing from the perspective of a partner in a 30 person local certified public accounting firm with particular focus on the impact that this Exposure Draft would have on our clients in the construction industry. While I have considered writing comment letters on previous exposure drafts, this is the first time I have felt strongly enough to formally comment about implementation difficulties that are inherent in this document.

Our Firm is a member of the Construction Industry CPAs/Consultants Association (CICPAC) and the Construction Financial Management Association. Both of these organizations have diversified representation within the construction industry community, and I have considered the concerns expressed by both of these organizations as well as my own concerns in terms of the effect on our clients. While I understand and agree with the efforts of the FASB to make revenue recognition more uniform, I believe that construction-type contracts present unique circumstances which should require specific consideration separate from general application.

Accordingly, I recommend that strong consideration be given to allowing construction-type contracts to follow the existing, well-functioning principles contained in ASC 605-35 (previously SOP 81-1). Revenue recognition under the percentage-of-completion method and related guidance has gained uniform acceptance in the industry, not only with the construction companies themselves, but also with surety companies and lending institutions. Just as sureties and lending institutions often prefer financial statements with a GAAP departure for failure to consolidate an unrelated variable interest entity, I anticipate similar reporting requests regarding this revenue recognition methodology if adopted.

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In particular, subdividing contracts into multiple performance obligations is highly subjective and will very possibly result in more inconsistency in financial reporting due to lack of reliable information on which to base the allocations. Additionally, in most instances, risks are inseparable among individual performance obligations. Typically, all parts of the contract are highly interrelated.

Auditors, who are already faced with the difficult task of assessing the reasonableness of contract gross profit, would incur **significant** additional time, cost and risk with the additional task of assessing the allocation of the contract amount to multiple performance obligations. Third-party confirmation of this allocation with the owner will not be possible; accordingly, auditors will likely require an opinion of an independent expert, which will result in increased costs to comply with the Exposure Draft.

As I am certain the Board is aware, the construction industry is still in a very difficult economic situation. We continually receive pressure to maintain and even reduce fees. The accounting requirements as presented in this Exposure Draft will create a significant burden in terms of additional personnel and technology costs for the construction companies themselves and increased time incurred by auditors and independent experts. Unfortunately, I suspect that even with the best of efforts to comply with these proposed revenue recognition principles, the end result will still be less uniformity and more opportunities for fraud and incorrect estimates, resulting in more financial misstatement.

I, therefore, respectfully request that the Board reconsider the elements of the Exposure Draft as mentioned above. I thank you for your consideration.

Sincerely yours,

Michael C. Thompson

Michael C. Beompson

Partner