October 21, 2010

Financial Accounting Standards Board

401 Merritt 7 PO Box 5116 Norwalk CT 06856-5116

Attn: Technical Director – File Reference No. 1820-100

(Via U.S. Mail and Electronic Mail)

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

I am a CPA in a firm that serves solely the construction industry. I am responding to the Board's proposed revenue recognition rules that will greatly affect my clients.

I have significant concerns over how the new standard may be applied to contractors in the construction industry. The current guidance in the Exposure Draft directs recognizing revenue at the "performance obligation" level. If the proposed new rules are passed, this requirement is going to be near impossible to accomplish due to the fact that most construction contracts consist of tightly interrelated components. When a customer enters into a construction contract, they are entering into a contract in which all of the elements much function together. These types of contracts should not be separated into multiple performance obligations because the risks are inseparable. Therefore, the construction companies lack the basis for determining a price for each component of the contract separately. I believe the reason that the Boards are hearing negative feedback from the construction industry has to do with the fact that the proposed revenue recognition rules are divorced from economic reality.

With respect to determining the contract price, I believe that variable consideration, such as bonuses and penalties, should be excluded from the calculation of contract revenue until such time as their realization is reasonably assured. Until that time, the inclusion is highly subjective and as a matter of course, I believe that most users of financial statements will not want to see such amounts included in revenue until their realization is reasonably assured.

While I appreciate the Boards efforts to create a single standard to apply to virtually all industries and transactions, I 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. Otherwise, the Boards run the very real risk of creating inferior accounting rules when applied to the construction industry.

Finally, I ask that private companies be given at least one additional year to comply with the proposed standard once it becomes effective for public companies.

Kindest regards,

Sherry Clay, CPA Shelton & Company, CPA's, P.C.