



CONSTRUCTION COMPANY

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October 21, 2010

Financial Accounting Standards Board

via US mail and e-mail

401 Merritt 7

PO Box 5116

Norwalk CT 06856-5116

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

Re: FASB / IASB Exposure Draft on Revenue Recognition from Contracts with Customers

As a construction company owner and financial officer, I am extremely interested in the Boards' project on revenue recognition. It is my desire to ensure that high-quality accounting for the construction industry is maintained.

I have major concerns as to how the new standard may be applied to our company and industry. The ED guidance for recognizing revenue at the "performance obligation" level presents major challenges for my company and has the potential of detrimental economic effects stemming from a systemically inferior revenue recognition method. The pervasive subjectivity of the new "performance obligations" process will lead to less financial reporting consistency, reduced transparency and greater earnings volatility. The subjective nature of the process opens the door to outright manipulation – something that none of us wants. The surety community has major concerns about any approach that diminishes consistency and increases subjectivity. As a result, surety credit availability will become tighter in the future to offset the risks which accompany inferior accounting rules.

The Boards are hearing negative feedback from the construction industry because the proposed rules are divorced from economic reality. That said, I believe that relatively modest refinements to the guidance under the proposed standard can better align the revenue recognition rules with economic reality.

Specifically, I ask that the Boards recognize that in most cases, all construction activities for a given project are highly interrelated and have overall risks which are generally inseparable. As such, construction companies will seldom have a basis for determining the price at which it would sell the components of a contract separately. Accordingly, because the characteristics of distinct profit margin will not be met, construction contracts will normally have a single performance obligation.

The ED guidance on continuous transfer is appropriately reasoned. I believe that variable consideration should be excluded from contract revenue calculation until its realization is reasonably assured. Most financial statement users 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 for virtually all industries and transactions, I believe that the proposed standard needs to be interpreted in such a way as to preserve the key tenets of SOP 81-1. Otherwise, the Boards run the very real risk of creating inferior accounting rules as 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.

Thank you.

Sincerely,
Viking Construction Company, Inc.

A handwritten signature in black ink, appearing to read 'Burt Peterson', is written over a horizontal line.

Burt Peterson, CCIFF, CPA (inactive)
Secretary and Chief Financial Officer

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