

NICKERSON & O'DAY, INC.  
*Constructors - Since 1952*

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October 21, 2010

Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856-5116

File Reference No: 1820-100

RE: Comments on the FASB & IASB's Exposure Draft on Revenue Recognition from Contracts with Customers.

As a controller of a private construction company I am extremely interested in the Boards' revenue recognition proposed rule changes. It is our desire to maintain high-quality accounting for the construction industry. In our management's opinion these new rules will only increase overhead, create more subjectivity to financial reports and make construction companies less profitable. These changes will also lead sureties and bankers to making incorrect assumptions about how a company is really performing.

These new rules will increase overhead because companies will now have to spend much more time on a monthly basis analyzing how much of each component of a contract is earned and how much of the "earned" revenue should be capitalized. Contract Managers and Owners will also have to spend much more time at contract inception trying to dissect contract components into "performance obligations", which is nearly impossible to do. Customers will not only question why this is done, it may concern them that they may end up with an incomplete building.

The reality is that the entire contract is a "performance obligation". A contractor can be in default of the entire contract if they default on any part of the contract obligation. The contract value determines how much is earned at any given time. Risks are inseparable within a construction contract.

The cost to cost, percentage of completion method is the best way to see how a company is performing. If construction companies have to break up contracts into individual components and capitalize expenses they do not have to capitalize now it may have the opposite effect of what these new rules intend to have. This will allow for much manipulation of financial reports. Auditors will have no way of determining if the books are accurate or not.

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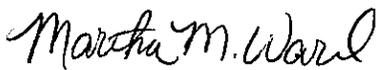
We request that the Boards recognize that in most cases, construction activities and overall risks are inseparable within a contract. All components of a construction contract are so highly interrelated that they cannot be separated accurately.

We do concur with the guidance in the Draft regarding continuous transfer and believe it is reasoned appropriately. However, with respect in determining the contract price, we believe that items such as (bonuses or penalties) should be excluded from the calculation of contract revenues until they occur or can be reasonably assured. Bonuses are normally based on project profitability, quality, etc. which can vary tremendously from beginning of the project to the end, and penalties may never happen. Including these items before their realization is reasonably assured would be very subjective.

We appreciate the Boards efforts in creating a single standard to apply to virtually all industries and transactions, but we believe that the key principles of the proposed new standard needs to preserve the key tenets of SOP 81-1 in order not to risk creating inferior accounting rules when applying them to the construction industry.

Due to the fact that the proposed standard with require construction companies to make changes in contract procedures and revenue recognition that will require education and software changes in order to comply, we would ask that private companies be given at least one additional year beyond when standard becomes effective to public companies to comply with the proposed standard.

Sincerely,



Martha M. Ward, Controller  
Nickerson & O'Day, Inc.