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October 20, 2010

Financial Accounting Standards Board
Attn: Technical Director, File Reference 1820-100
401 Merritt 7
Norwalk, CT 06856-5116

RE: Response to Exposure Draft "Revenue From Contracts With Customers"

To the Board:

On behalf of Vandeventer & Palmer, P. C., I am writing in response to the above referenced exposure draft issued June 24, 2010. Our firm specializes in providing consulting, A&A and tax services to the construction industry.

We commend you in the much needed unification of standards. Having practiced in both the US and Europe, unification will help immensely. Please consider the following impacts to the construction industry and make modifications you consider appropriate.

The general direction of the draft seems to be at odds with commercial law. In those states in which I have practiced, enforcement depends on the contract in its entirety. The draft seems to take the accounting in a different direction. When disputes arise, enforcement of the written contract, in its entirety, is required. It follows that measurement should also occur at the entire contract level. The rewards and the risks are inseparable.

Currently accounting for contracts is done with the revenue measurement taken at the contract level. Regardless of GAAP, management accounting is likely to remain as it is. The primary third party users of contractor financial statements are the surety credit grantor. They have gone on record indicating they are not likely to change for the legal issues mentioned above. I feel we may be creating an OCBOA situation or a situation similar to statutory statements. It would seem to create a standard for GAAP which is not generally accepted.

Our deepest concern is that we are creating diminished standardization and thus diminished comparability. Initially contractors will apply the "performance obligations" requirements to the best of their knowledge. The variation from contractor to contractor will prevent comparability in the short run. Once contractors perceive they are put at a competitive disadvantage when their competitors front load margins, more "dynamic reallocation" of profit margins will occur. The early completing performance obligations will be assigned excessively high margins while later completing performance obligations will be assigned excessively low margins. In the long run, this will force a lowest common denominator effect. Under the current ASC 605-35 standard, front loading alone gives no financial statement advantage. As we have seen in our current global financial morass, growth will mask poor performance but once growth becomes negative, which will happen, a compounding effect takes over which will distort the true financial picture.

Please consider the above comments in the spirit in which they are offered. I recognize that unification will occur but since current International Accounting Standards share many of the same tenets as does US GAAP, it may be advantageous to continue with those shared standards. While many practitioners agree principle based standards are preferable, the subjectivity of this revenue recognition standard, as it applies to construction contractors, gives so little direction it invites non-standard treatment in recognition of revenue.

Thank you for considering these observations. While you may hear more from the practitioners when they object to your actions, rest assured we all appreciate the difficulty of your tasks and appreciate your efforts.

Sincerely,

James B. Vandeventer

James B.Vandeventer, CPA