

October 13, 2010

Technical Director Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, Connecticut 06856-5116

Re: File reference no. 1820-100

Dear Sir:

Thank you for this opportunity to comment on the Exposure Draft, Revenue Recognition: Revenue from Contracts with Customers issued on June 24, 2010 ("Exposure Draft").

We are a public accounting firm serving middle-market, nonpublic companies, many of whom are construction companies. Our comments on the Exposure Draft below are primarily from the point of view of our clients in the construction industry.

We have the following concerns about the proposed guidance:

- 1. We question the desirability of providing a "one size-fits-all" revenue recognition standard for all businesses in all industries.
- Segregating a contract into separate performance obligations introduces additional levels of 2. subjectivity into the revenue recognition process and increases the costs of compliance.
- 3. For our clients in the construction industry, we believe that the costs of complying with the proposed guidance will significantly outweigh any potential benefit derived.

One Revenue Recognition Standard

The goal of the Exposure Draft, to create a common revenue standard for U.S. GAAP, is laudable. We believe, however, that specific guidance for selected industries should continue to be made.

With respect to a construction contractor, we believe that the guidance proposed by the Exposure Draft would result in revenue recognition which does not reflect economic reality. construction clients bid and manage their projects on a contract-by-contract basis. Individual phases of a given contract might be bid at lower or higher margins, depending on circumstances unique to each project. However, the overall margin on the entire contract is the basis for determining economic performance. Furthermore, the users of the financial statements of our clients, specifically insurance companies providing surety bonds, require regular work-in-progress reports by contract, acknowledging the contract as the economic unit of measure. Accounting for revenue by segregating contracts into separate performance obligations, as proposed by the Exposure Draft, is contrary to management's intent and to the needs of the users of the financial statements and distorts the entity's economic performance.

We believe that current accounting guidance for revenue from construction contracts contained in ASC 605-35 (formerly SOP 81-1) has served the industry well over the past thirty years and should be retained. A large number of construction contractors are nonpublic entities, such as our clients. The primary users of their financial statements are not third-party investors. They include the owners/managers of the companies, sureties, government agencies with licensing requirements, and the banking community. The reporting requirements of ASC 605-35 are well understood by these users and have given them confidence that financial statements of construction contractors are understandable, informative and comparable. Our involvement with these users over the past thirty years has given us no indication that a change in the method of revenue recognition is either necessary or desirable. We believe that the proposed guidance in the Exposure Draft will not improve financial reporting for construction contractors. It will add an additional level of complexity to the revenue recognition process and fail to reflect the true economic performance of the entity.

Segregation of Contracts into Separate Performance Obligations

The Exposure Draft introduces additional levels of subjectivity into the revenue recognition process by requiring the segregation of each contract into separate performance obligations. Paragraphs 50-52 require the contract (transaction) price be allocated to each performance obligation based on the standalone selling price of each good or service underlying each performance obligation. In some cases, the standalone selling price will be objectively determinable, especially if the good or service is sold separately by the contractor. However, in many, if not most cases, this price must be estimated.

We believe that this additional level of subjectivity will add significantly to the costs of complying with the proposed guidance. Contractors will need to develop and support the estimates. Auditors will need to gain comfort with the amounts estimated. Users will need to be educated on the nature of the estimates and how they affect the financial statements.

Furthermore, we believe that the added level of subjectivity will result in widely divergent practices between individual companies resulting in a lack of comparability in results of operations.

Costs vs. Benefits of Compliance

We believe that, for our clients in the construction industry, the costs of complying with the proposed guidance would be considerable without any potential benefits to the primary users of the financial statements. In addition to those mentioned in the preceding section above, compliance costs we foresee include, but are not limited to, the following:

- 1. Modifications of accounting systems and related controls to account for the segregation of contracts into multiple performance obligations, including the allocation of material and labors costs accordingly.
- 2. Reconciliations of amounts as reported in the financial statements to amounts required by financial statement users, specifically sureties.

As argued above, we believe that the revenue recognition model proposed by the Exposure Draft would not add any benefit to the users of financial statements of construction contractors. Moreover, we believe that the proposed guidance would persuade many of our construction clients

to prepare OCBOA financial statements based on their belief that GAAP statements would result in revenue recognition that does not reflect economic performance.

Recommendations for Changes to Exposure Draft

Based on the above, we recommend the following changes to the Exposure Draft:

- 1. Provide an exemption for construction contractors from the provisions of the Exposure Draft, or, alternatively, permit revenue recognition using the contract as the economic unit of measure instead of the performance obligation.
- 2. Alternatively, if the Board elects to adopt the Exposure Draft substantially as proposed:
 - a. Provide for sufficient time for entities to adopt appropriate procedures and controls, including changes to accounting and reporting systems, to implement the changes. Consideration should be given to allowing nonpublic companies additional time to adopt the guidance.
 - b. Provide industry-specific implementation guidance.

We strongly urge the Board to consider these comments. Once again, thank you for allowing us this opportunity to express our views.

Sincerely

Partner