



PETERSON CONTRACTORS, INC.



Build with the Best

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October 18, 2010

Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116
Attn: Technical Director – File Reference No. 1820-100

(Via Electronic Mail)

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

Dear Sir or Madam:

We would like to provide our response to the FASB and IASB's Preliminary Views on Revenue Recognition: Revenue from Contracts with Customers (ASC605). I am employed as assistant controller in a midsize construction company. I do not normally make time to comment on FASB Exposure Drafts. However, this Exposure Draft warrants a response.

The purpose of any changes to accounting standards is to increase the quality of financial reporting and more accurately reflect the economic reality of financial transactions. I have done some reading and viewed a couple of webinars on this subject. My opinion is that the proposed changes will not give our stakeholders (owners, surety, and lenders) better information with which to evaluate the health of our company or the construction industry. I believe the inherent subjectivity of the prescribed process for identifying and allocating revenue to performance obligations will lead to less consistency and comparability in the financial reporting process in the construction industry.

In theory, construction contracts can be parsed into separate performance obligations. The economic reality is that contracts are bid, planned and performed as a single project. Most contracts should not be subdivided into multiple profit centers or performance obligations because the risks are inseparable within the contract. Virtually all of the parts of the activities under the contract are highly interrelated.

Other areas of concern covered by the Exposure Draft are change orders, unpriced change orders, and set up costs. The proposed changes are not likely to lead to higher quality or more accurate financial reports.

The time, cost, and complexities involved in implementing the proposed standards are at best onerous to the largest contractors and nearly impossible for the smallest. The construction industry is comprised of over 1.8 million companies. Over 1 million companies have revenues under \$500,000. Only 2,000 companies have revenues over \$100 million. Most of the small

companies have no financial professional in their organization and rely on external accountants for accounting expertise. The time and cost related to implementing the proposed standards, for which little or no value will be realized, is likely to put some companies out of business and place a severe financial strain on others.

If the views of the FASB and IASB are not swayed by the concerns presented by myself and others and plan to adopt the Exposure Draft with little or no changes, I ask that more time be given to comply with the proposed standard and provide more detailed implementation guidance. Not only will financial professionals need to learn what changes would be required to comply, but the software and internal systems currently in place in nearly every company will need to be reengineered to collect the data and report the information necessary to be in compliance with the proposed standard. In addition, the users of the financial information will need to be re-educated to properly read, understand and make decisions upon financial reports complying with the proposed standards.

In summary, the Exposure Draft proposes more complicated and subjective accounting standards which do not represent an improvement over existing accounting standards for the construction industry.

Thank you for taking the time to allow us the opportunity to express our concerns.

Respectfully Submitted,



Rodney L. Brockett, CMA, CPA
Assistant Controller
Peterson Contractors, Inc.