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**To:** [Director - FASB](#)  
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Technical Director, FASB

It would be a disservice to the entire construction community to abandon the percentage of completion method of revenue recognition that we are using effectively today. All industries are not the same and a “one size fits all” method will work about as well for revenue recognition as it would for shoes. The users of our financial statements—sureties, bankers and partners in our closely held corporation—understand and like that we are measuring performance on each individual contract and the percentage of completion method is a good way to do it. The proposal on the table is NOT a better way.

To break the contract down into performance obligations as proposed would be accomplished at great cost with no accompanying benefit. Frankly, it doesn't even make sense. The performance obligation that we have is to deliver a ready-to-occupy building. Our buildings are not transferred to the client until they are substantially complete—sometimes they are constructed in a few months, but more often they are built over multiple years. If we couldn't recognize revenue until buildings were transferred to clients, there would be no matching of expenses with related revenue as construction progressed. It would be ridiculous.

So the proposal seems to be that we'd need to break down a contract into performance obligations other than the one where we deliver the building ready to occupy. To do so would be artificial and not nearly as useful as comparing our costs incurred to date to our estimated total cost to arrive at a percentage complete from which to recognize revenue. Construction accounting is complicated enough without adding extra meaningless subcategories (performance obligations) to keep track of and explain. And what would our contracts look like? For the performance obligation system to work, contracts, insurance and bonds would all need to be overhauled to reflect that we're not delivering completed buildings any more. It would all be piecemeal. I suppose the client could first own the utility excavation and then add the foundation, steel, etc, but what good does that do for anybody?

The construction industry is doing very well under the existing accounting system and does not want a change that will cost everybody more while providing no benefit!

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