Aetna Bridge Company

October 20, 2010

Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk CT 06856-5116
Attn: Technical Director – File Reference No. 1820-100
(Via U.S. Mail and Electronic Mail)

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

As the CFO of Aetna Bridge Company, we are extremely interested in the Boards project on revenue recognition and it is our desire to ensure that high-quality accounting for the construction industry is maintained.

However, we have significant concerns over how the new standard may be applied to our industry. The current guidance in the Exposure Draft for recognizing revenue at the "performance obligation" level presents significant challenges for my company and carries the very real risk of adverse economic effects on our industry stemming from an inferior method of revenue recognition. The inherent subjectivity of the prescribed process for identifying and allocating revenue to performance obligations will lead to less consistency and transparency in the financial reporting process in the industry. The inherent subjectivity also opens to the door to financial engineering and outright manipulation. There are significant concerns in the surety community about any approach that diminishes consistency and increases subjectivity. As a result, surety credit will become marginally more difficult to obtain in the future in order to offset the risks associated with inferior accounting rules.

At the heart of this issue is the proposed allocation of the contract price among the various performance obligations which must be determined based upon either a known or estimated standalone selling price for each service. As a bridge contractor who works on only state and municipal projects we are required to bid contracts based on a predetermined list of various contract phases with a set unit price and quantity for each phase. Inherent in this process is the strategy in assigning unit prices. Pricing may be assigned based on a variety of factors such as the anticipated number of units to actually be completed versus the required number of units that must be bid. For example in many cases even though the contract may call for say 100 units of X we may determine that it is more likely there may be a 1000 units of X. In this case we may assign a higher selling price to this phase in anticipation of realizing additional profit on this item while keeping our bid price low. The process of bidding and the assignment of unit prices is a very subjective area in our industry and to recognize revenue on any other basis other than total project cost incurred against estimated total project cost would not reflect the economic reality of what we were hired to do which is to build a bridge.

It is for this reason we would like to request that the Boards recognize that it most cases, ALL construction activities for a given project are highly interrelated and have overall risks which are inseparable. Therefore, construction companies lack a basis for determining the price at which it would sell the components of a contract separately and as such characteristics of distinct profit margin will not be met (in most cases) and hence there are typically no more than a single performance obligation for most construction contracts.

We concur with the guidance in the Exposure Draft regarding continuous transfer and we believe it is appropriately reasoned.
With respect to determining the contract price, we believe that variable consideration (i.e. bonuses or penalties) should be excluded from the calculation of contract revenue until such time as their realization is reasonably assured. Until that time, the inclusion is highly subjective and as a matter of course, we believe that most users of financial statements will not want to see such amounts included in revenue until their realization is reasonably assured.

While we appreciate the Boards efforts to create a single standard to apply to virtually all industries and transactions, we maintain a belief that the key principals of the proposed standard need to be interpreted in such a way to preserve the key tenets of SOP 81-1. Otherwise, the Boards run the very real risk of creating inferior accounting rules when applied to the construction industry.

Finally, we ask that private companies be given at least one additional year to comply with the proposed standard once it becomes effective for public companies.

Sincerely,

Robert K. Barber

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CFO

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