

From: [Luke Estola](#)
To: [Director - FASB](#)
Subject: Comment Letter - File Reference No. 1820-100
Date: Wednesday, October 20, 2010 10:45:40 AM
Attachments: [image001.png](#)

October 20, 2010

Financial Accounting Standards Board
401 Merrit 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

As a controller of a construction company, I am very interested in the Board's Exposure Draft on revenue recognition. The proposed Draft promises to have a significant impact on our business.

I certainly appreciate the Board's efforts to enhance accounting methods. However, I am concerned that the proposed Draft will not be an improvement over the existing standards for the construction industry. The current guidance in the Draft for recognizing revenue at the performance obligation level will create a significant challenge for us. We are a concrete construction contractor. While many of our contracts are clearly one single performance obligation, a significant number consist of several different activities (i.e. sitework, foundations, flatwork, paving, tilt-up walls) that can be and often are priced as separate contracts by our customer. Based on my understanding of the new guidance, we may need to separately account for portions of these contracts. However, we manage our business at the contract (job location) level. All activities under our management are generally performed by the same team (project manager, field crew, equipment, suppliers, etc.) and must be performed according to a schedule. A delay or problem in one activity will most likely impact several others. As a result, we feel each contract has an overall risk that is inseparable. If required to separately account for portions of our contracts, we would need to do a considerable amount of work to provide one set of reports to management and provide another set for GAAP purposes.

I also feel this Draft would decrease the usability of reports. It introduces even more subjectivity and estimation into a process that already has a good deal of uncertainty (I refer to the estimation of cost to complete). I feel the guidance would make it much harder to compare statements within the industry due to the level of subjectivity involved. As a result, I also believe those who provide credit to us would prefer statements based on the existing standards.

Last of all, I believe the guidance would increase our audit costs. Regardless of whether or not we divided our contracts into various performance obligations, our auditors would need to evaluate our assumptions and rationale for our treatment of the contracts and related disclosures.

I believe the construction industry and our company would be better served by updating the current standard, rather than replacing it with the new guidance. I thank you for your consideration and your efforts to improve the accounting standards.

All the best,

Luke Estola

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