

From: [Candy Vogel](#)
To: [Director - FASB](#)
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Mr. Golden

As the Comptroller of a small subcontractor in the construction industry I am extremely concerned of the financial impact the joint Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB) Exposure Draft on Revenue Recognition (Topic 605) will have on our business and industry. I am particularly concerned that these new standards will be used to manipulate payments to the small subcontractor due to the inherent subjectivity for identifying and allocating revenue to performance obligations.

If revenue can only be recognized once a performance obligation is satisfied, which is when control of the good or service is transferred to the customer, then it is possible that payments will not be made until the performance obligation is satisfied. This could cause a chain reaction of delayed payments from the owner of the project to the general contractor to the various subcontractors and their vendors.

Since the subcontractor is at the bottom of the payment chain he would be most affected by any manipulation of performance obligation recognition along the way. Given the current economic situation and the tight lending policies of financial institutions, the small contractor is the least likely to obtain the additional funding needed to withstand any delay in payment. This would have an adverse impact on small contractors as well as the construction industry.

Finally, the exposure draft inappropriately assumes the sum of the parts equals the whole. There is value and cost in having a contractor or subcontractor coordinate an entire segment of work that is not reflected in the costs of the parts. This added value and cost of bundling the services and goods together would have to be allocated to each component. Such allocation at best would be arbitrary and capricious.

In conclusion, we respectfully request that the joint Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB) Exposure Draft on Revenue Recognition (Topic 605) continue the current use of the percentage-of-completion method for the construction industry or at a minimum, delay the implementation until the effects of implementation can be determined and dealt with accordingly.

Thank you for your consideration and the opportunity to share these comments.

Candy J. Vogel
Comptroller

Sincerely,

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