

**From:** [Bob Bacon](#)  
**To:** [Director - FASB](#)  
**Subject:** Comment Letter - File Reference No. 1820-100  
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Dear Technical Director:

As a construction industry financial executive with a regional concrete construction specialty contractor, I appreciate the opportunity to comment on Exposure Draft on Revenue from Contracts with Customers.

Unfortunately, I believe the proposed standard will have significant undesirable impacts on the financial statements of contractors and the cost of compliance will be unreasonable given the ultimate outcome of less reliable and less meaningful financial statements.

Few of our contracts can reasonably be subdivided into multiple profit centers or performance obligations because the risks are inseparable within the contract. Our contracts require that we construct a project in accordance with specific criteria where all elements of the contract must function together. Trying to subdivide the contract into various performance obligations ignores the overriding risk we bear of making sure that all of the pieces of the project fit together in a working manner in a highly interrelated manner.

Under the proposed standard, company owners and construction financial professionals will have greatly enhanced opportunities to break up their contracts into various performance obligations then place the revenue into those parts of the contract where they desire to see the most profit. The extremely subjective nature of the standard will make it difficult to challenge these judgments, increasing the likelihood of potential earnings management and undermining the existing credibility in financial reporting today.

Defining performance obligations in our industry is so wide open to interpretation it would be virtually impossible to establish any consistency between companies. Our primary obligation is to provide all the concrete work for a project. To meet that obligation, though, we may have 30+ phases (such as paving, sidewalks, slab on grade, piers, columns, pan slabs, core walls, sheer walls, etc) then within each phase, 30 to 40 cost codes (such as dirt work, forms in, forms out, tying rebar, installing post tension, placing mesh, placing concrete, patching, etc), then within each cost code, 10 or more cost types (such as labor, material, subcontract, owned equipment, rented equipment, pumping, etc.) creating potentially thousands of performance obligations for any single job since, in theory, almost any combination of phases, cost codes and cost types could be separately performed by a subcontractor or competitor. The opportunity for error and earnings management is staggering. The number of possible outcomes is enormous.

Under the proposed standard, it is entirely possible that a loss might have to be recognized on a job before any work is even begun simply because one performance obligation will be performed at a loss even though the overall contract is very profitable. It is very common in our business during contract negotiations that we

“throw in” work for cost or below in order to make the whole contract work. How does it make sense to recognize a loss on those portions up front?

Information systems are completely inadequate to provide the segmentation information necessary to track activity at the “performance obligation” level while also re-aggregating contracts for billing and management control purposes.

Materials purchases, equipment usage, and field engineering are among just a few of the direct construction costs that will span across multiple performance obligations creating an even more complex matrix of dividing and allocating costs, not to mention the ultimate need to tie each to source documents.

Sureties, Lenders, and Business Owners will almost certainly require contracts to be re-aggregated into a single economic unit of measure leading to multiple sets of books.

Audit costs will increase significantly due to the dramatic increase in complexity and subjectivity.

In summary, tremendous amounts of time, effort and money will be spent to generate financial information that is far more subjective, far less relevant and nearly useless.

Regards,

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