From: Francine Hines
To: Director - FASB
Cc: Doug Smith

Subject: "Comment Letter - File Reference No. 1820-100"

**Date:** Friday, October 22, 2010 9:26:10 AM

October 22, 2010

Technical Director
File Reference No. 1820-100
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

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

## Dear Director:

As a construction company financial executive, I am very interested in the Board's project on revenue recognition and its impact upon our group of companies Vecellio Group, Inc. and Subsidiaries. I work for a privately held company with five divisions performing construction work primarily in Florida, North Carolina, West Virginia and the bordering states. The contracts primarily relate to heavy highway, bridges, and paving and grading projects.

My primary concern is the Exposure Drafts guidance for recognizing revenue at the "performance obligation" level presents numerous questions and concerns for our companies. Some of those concerns follow:

- The cost of implementing this new standard during these trying economic times is of great concern and will have negative impact on our companies.
- No real benefit will be derived from separating the contracts into separate
  performance obligations. We feel that all construction activities for any given contract
  are highly interrelated and have overall risks which are inseparable. Furthermore,
  communication with customers, including billing arrangements, center around the
  entire contract.
- The new standard does not consider what happens in the real world. We manage our businesses to generate cash flow and pay vendors, creditors and employees. The extensive amount of time necessary to implement and account for this standard will encroach upon time devoted to more pressing matters.
- Furthermore, interim financial statements will continue to be prepared using historic methods. Lenders and sureties may require additional information reconciling differences in interim and year end information or require additional information comparative to prior periods. The end result may be more departures from GAAP.
- I feel the new standard will create a software dilemma since current software is inadequate to track activity based upon performance obligations and also allow for

- billing and management purposes. In addition, costs will be incurred to address the purchase order process to insure that costs are charged to the correct performance obligation.
- Finally, the standard requires that consideration be given to bonuses and penalties as part of the performance obligation. We believe that users of financial statements will not want to see amounts included in revenue until their realization is reasonably assured.

As a finance executive for a privately owned construction company, I have a difficult time determining what positive impact adoption of this standard will have upon us. My desire would be that all private companies be excluded from this standard. However, if the Board is successful in adoption I would ask for additional time to adopt the standard or determine the impact of not adopting. We also feel consideration should be given as to how the current move towards separate accounting standards for private companies would be impacted by this standard.

Understand, I appreciate the Board's efforts to create a single standard to apply to all industries and transactions. However, I do believe that adoption of this standard will create an inferior accounting method for the construction industry at a great cost.

Sincerely,

Robert D Smith

Robert D. Smith, CPA

Francine Hines for Robert D. Smith

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