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 construction companies. 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.

I believe the reason that the Boards are hearing negative feedback from the construction has to do with the fact that the proposed revenue recognition rules are divorced from economic reality. But I also believe that it is possible to relatively modest refinements to the guidance under the proposed standard in order to align the revenue recognition rules with economic reality.

Specifically, I 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.

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.
- 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.
- 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.

With respect to determining the contract price, I 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, I believe that most users of financial statements will not want to see such amounts included in revenue until their realization is reasonably assured.

While I appreciate the Boards efforts to create a single standard to apply to virtually all industries and transactions, I 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.

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 Boards 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.

Sincere!	

Michael Sullivan