

October 22, 2010

Financial Accounting Standards Board

401 Merritt 7 PO Box 5116 Norwalk CT 06856-5116

Attn: Technical Director - File Reference No. 1820-100

(Via U.S. Mail and Electronic Mail)

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

Being a controller for a construction company compels my interested in the implications of the Boards proposed revisions to revenue recognition. I admire the efforts to bring consistency to the financial industry but after reviewing the proposal, I have several concerns. The majority of my concerns have to deal with the way that the proposed changes will affect the construction industry and the way that revenue will be recognizes. Being an accounting student concurrent with working in the construction industry taught me a lot about how unique the construction industry is. Most of the examples, used by the texts and the professors, dealt with the manufacturing industry; which, carries inventory and produces a finished product in a relatively fast manner. For quite some time it was very difficult for me to transfer the knowledge that I was obtaining to practical use in our construction business. After researching on my own I found that the AICPA enacted SOP 81-1; which, as you know, allows industries that meet certain qualifications, such as the construction industry, to operate under the percentage of completion basis. The construction industry is very complex and each contract contains its own unique set of complexities. The AICPA realized that and realized that a standard needed to be enacted to account for industries that meet the established guidelines.

Changing the construction accounting industry form a "percentage of completion" to "performance obligations" poses many potential issues for those working in the industry. Although the change may sound good in theory, unfortunately it creates complications in reality. Breaking a contract into performance obligations is not a practical way for construction businesses to look at their contracts. Breaking a project into distinct "performance obligations" per the current Draft Exposure, would take a lot of time and effort that would not be beneficial to the company. Contracts are looked at in entirety because it eliminates subjectivity in "separating" the items in a contract. Allocating profit based on "performance obligations" only opens up the doors for subjectivity. Thus, instead of creating standards to eliminate issues, issues would be created.

Also, the banking and surety industries have become accustomed to looking at financial statements prepared in a percentage of completion method. It seems that they, along with AICPA, have agreed that this is the most effective way to look at the financials of the construction industry. Changing the forms of financial statements to include a more detailed breakdown of items, performance obligations, with profit allocated in an uncertain fashion,



lessens the confidence of the Banking and Surety industries in the construction industry. Again, creating more issues and concerns than there were in the first place. From what I have read, it seems that the surety industry has already raised concerns about this revision.

Furthermore, it is important to remember that in the construction industry, the activities and risks within a contract are all interrelated and thus inseparable. It is difficult to fathom pricing "performance obligations" based on the price at which a component would be sold; thus, making it even more difficult to apply a separate profit margin to each characteristic.

Essentially, it is imperative to remember that certain things have been put into place for good reasons. The AICPA has been in place for over 123 years and as such, has experienced almost everything that the financial industry can go through. I am sure that their decision to introduce SOP 81-1 was not made lightly as I am sure that your decision regarding the issue of Revenue Recognition will not be made lightly either. The construction industry is not opposed to revisions, but we have a good understanding of our business and the way that it should be run. Enforcing the proposed "performance obligations" will not allow construction executives to run their business' to their fullest potential. We kindly request that as changes are made in the financial industry, SOP 81-1 in kept in tact. It is the best way for the construction industry to accurately present its financial information.

We also humbly ask that private companies be given a year to fully understand and comply with any revisions that are made.

Sincerely,

Randi Baldwin-Sedlar Controller Trinity Contracting, Inc.