From: Ken Kreischer
To: Director - FASB
Subject: Comment Letter- File Reference No. 1820-100
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Mr. Russell Golden
Technical Director
File Reference No. 1820-100
Financial Accounting Standards Board
401 Merritt 7 Corporate Park
Norwalk, Connecticut 06856-5116

Dear Mr. Golden:

I am responding to the joint Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB) Exposure Draft on Revenue Recognition (Topic 605). I am concerned about how my company will be affected if this exposure draft were to become a part of the construction industries' generally accepted accounting principles.

Our best guess is that the cost of our audited statements will go from $60,000 a year to $115,000 a year not including additional internal time and costs, which in a time where our industry is struggling to break even is alarming. Furthermore the statements prepared at that additional costs will not be used by anyone.

1. The most critical component of generally accepted accounting principles is to produce financial statements that will meet the needs of the users of those statements. One of the most important users of our financial statements is the surety industry. Certain members of the surety industry say they will NOT embrace the proposed changes and expect they will require contract data from the construction industry in the same manner as is currently provided to them, essentially ignoring the proposed guidelines.

2. It is universally agreed by industry stakeholders, including my company, that the proposed changes will increase financial statement complexity, add administrative costs and reduce the standardization of methodologies in reporting, thereby, reducing financial statement credibility.

3. The lack of clarity under these proposed changes will lead to a wide range of subjective markers to break down "performance obligations" within each contract. This is further complicated with the prevalence of change orders at various stages of the typical construction contract. Construction industry financial statements would then contain results that differ greatly from period to period, contract to contract, and company to company. A requisite for competing in today's economic environment is a "level playing field," and these proposed changes would eliminate same, enabling or even encouraging certain competitors to take advantage of the lack of clarity in guidance.

It is clear that the FASB and IASB have the best intentions in mind, but I do not believe this Exposure Draft meets the intended objectives as applied to the commercial construction industry. It would only serve to confuse the end users of the financial statements, increase contractors' costs and provide a means by which financial results could be manipulated. Moreover, the standards proposed in the Exposure Draft do not fully consider the underlying operations and needs of commercial construction companies, who should be afforded an exception if these standards are approved, permitting the continued use of SOP 81-1 instead of adopting the new standard. Thirty-years of consistency and the universal acceptance of the percentage of completion method under SOP 81-1 should not be ended because there is a desire to achieve a "one size fits all" approach that does not consider the end users of our financial statements.

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

Sincerely,

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