September 9, 2010

Financial Accounting Standards Board
Attn: Technical Director, File Reference 1820-100
400 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

RE: FASB Exposure Draft Issued 6-24-2010 (Revenue Recognition Topic 605)

Dear FASB,

I have read the above referenced Exposure Draft and I have discussed it with my colleagues and peers in the construction industry. I am concerned with the following issues and how they will adversely affect our currently effective standards for financial reporting for construction contracts.

1. **Combination and segmentation of contracts**
   Currently contracts are accounted for in the same framework as their legal standing. Each legal contract is one “performance obligation”. Combining separate contracts and segmenting single contracts will eliminate the transparency of individual contracts as they flow to Work in Progress Report integral and essential to construction industry financial reporting. This subjective segmentation could allow for untraceable manipulation of margins and revenues leading to violation of the “Matching Principle”. High margin revenue could be frontloaded (or backloaded for tax purposes) very easily into particular segments of a long term contract. This would be virtually impossible to reveal or substantiate under audit because of the lack of standardization unique to the construction industry.

   Construction bonding companies are important third party users of construction financial statements. Bonding companies are concerned with the performance of contracts as a legal matter and evaluate performance based on legal contract fulfillment. Segmenting individual pieces of the same legal contract (e.g. separable performance obligations) or combining those contracts with others based on non legal concerns will have a detrimental effect on a bonding company’s ability to evaluate contract performance.
2. **Contract Modifications**
Under the exposure draft criterion, most construction "change orders" would be accounted for as a separate contract under the guidelines for "Contract modifications" because the prices are not interdependent on the original contract. Accounting for each change order as a separate contract would increase the size of a Work in Process Report exponentially rendering it a useless tool for third party users.

The concepts and techniques in this exposure draft seem to be very suited towards service and or software contracts. Construction accounting is very unique. It is a large enough section of the economy that its uniqueness warrants unique accounting methods. The needs for comparability between construction companies and service contract companies are dubious if not completely unneeded.

Respectfully,

Keith Chickering, CPA
Vice President & Treasurer
CDS Framing, Inc.