

From: [Sharen Groppe](#)
To: [Director - FASB](#)
Subject: Comment Letter - File Reference No. 1820-100
Date: Wednesday, October 13, 2010 3:16:50 PM

To Whom It May Concern:

As a surety agent specializing in construction for over twenty years, I am concerned about the Board changing revenue recognition methods in the construction industry. My agency, Elsey & Associates, along with our affiliate members in the K & S Group, is the largest writer of performance and payment bonds in the State of Texas.

Percentage of completion method of accounting for construction has a long track-record of accuracy and is the preferred, if not required, method by all of the surety companies we represent. It is a good indicator of contractor's current and future financial strength and a consistent source for benchmarking contractors in varying market segments.

Performance milestone approach to accounting results in increased subjective figures and could potentially have the effect of showing a project as profitable in the beginning phases, even if the client knows that ultimately the project will lose money. Our surety companies rely heavily on performance on a job by job basis, not a job segment by segment basis, which gives outside parties a good understanding on the success of each project. Since projects are bonded on a contract by contract basis, understanding how successful a contractor is on the job as a whole is critical for a surety to determine whether or not they will approve bonds for a subsequent contract(s). There is little desire to know the outcome of each segment of the project as contractor's approach to work can differ wildly. It is, however; critical to know how profitable a contractor's approach ultimately was to see if their approach is wise.

New rules and the subjectivity of such will increase the cost of preparing financial information and likely increase inaccuracies. Finding qualified, affordable accountants for construction companies will become increasingly difficult. If the pool of construction accountants shrinks, it will result in delays to receiving financial statements which will put the surety industry at increased risk for losses.

The surety companies and banks that we work with in the construction industry are comfortable and satisfied with the current revenue recognition method. Since these are predominately the users of contractor's financial statements I believe it is inadvisable to make changes.

I request that if changes are made, that construction companies be exempt and be allowed to continue to use the percentage of completion method of accounting.

Sincerely,

Sharen Groppe, CRIS
Chief Operating Officer



21755 IH-45 North, Building #8
Spring, Texas 77388
Phone (281)651-0002
Fax (281)350-0281
email: sgroppell@elseyagency.com

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