1820-100 Comment Letter No. 179

GENERAL CONTRACTORS



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Attn: Technical Director Financial Accounting Standards Board 401 Merritt 7, P. O. Box 5116 Norwalk, CT 06856-5116

Via E-mail to: director@fasb.org

Ref: File No. 1820-100 – Comments on revenue recognition from contracts with customers

Dear Board Members:

I am the Chief Financial Officer of a major privately owned construction firm with revenues of \$800 million annually. Thank you for allowing me the opportunity to express my feelings with the proposed changes related to revenue recognition on construction contracts.

It has always been our desire to provide quality and useful financial information to those outside our firm and especially our two most important readers, the banks and bonding companies. This proposed change will first and foremost create a major burden on our accounting departments and project personnel involved in calculating the revenue and margin to recognize on construction contracts. It will be very difficult to identify these "performance obligations" within a contract and could possibly create opportunities to manipulate the true gross margin for the total contract. All of the outside readers of our financial information are looking for us to present a blended margin for all activities when recognizing revenue on construction contracts. Breaking down our contracts into individual segments makes no economic sense, as all tasks are highly interrelated and would make it much more difficult to analyze our financial performance.

With respect to determining contract price, I would agree that variable consideration (bonuses and penalties) should be excluded from the calculation and not be included until such time as their realization is reasonably assured.

While we appreciate the board's effort to create one standard across all industries for revenue recognition, I would ask for more specific consideration in applying it to the construction industry. I would also ask that private companies have at least one additional year to comply with the proposed standard once it becomes effective for public companies.

Regards,

KOKOSING CONSTRUCTION CO., INC.

James H. Geiser Chief Financial Officer

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