

Financial Accounting Standards Board

October 14, 2010

401 Merritt 7 PO Box 5116

Norwalk CT 06856-5116

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

Re: Revenue Recognition from Contracts with Customers

Dear FASB Technical Director,

As a former home-office contract surety underwriter, and current surety bond producer, I am very interested in and sympathetic with the Board's efforts to adopt revenue recognition standards that can be accepted internationally, and still ensure high-quality, consistent, reliable accounting for the construction industry. These are characteristics that are sorely needed to offset the fear and distrust that currently exist in credit markets, in general.

The current guidance in the Exposure Draft for recognizing revenue at the <u>subjective</u> "performance obligation" level presents significant challenges for contractors and their accounting professionals, and carries the very real risk of stifling the availability of surety support to project owners and contractors. It is frankly difficult to find anything positive about this inferior method of revenue recognition that will result in less consistency and a lower level of transparency. Please stick with the hard numbers based percentage of completion method that can be easily verified and has a high degree of credibility. Surely it is possible to align the revenue recognition rules with economic reality under the proposed standard, with modest refinements.

Since there is typically no more than a single performance obligation for most construction contracts, I agree with the guidance in the Exposure Draft regarding continuous transfer. With respect to determining the contract price, variable consideration (i.e. bonuses or penalties) should be excluded from the calculation of contract revenue until such time as they are reasonably assured. Until that time, the inclusion is highly subjective.

The proposed standard needs to be interpreted in such a way as to preserve the key tenets of SOP 81-1. Otherwise, the Board runs the risk of creating inferior accounting rules when applied to the construction industry.

Finally, private companies should be given at least one additional year to comply with the proposed standard after it becomes effective for public companies.

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Gary E. Boadruck

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