From: Edward W. Thompson
To: Director - FASB

Subject: Comment Letter - File Reference No. 1820-100

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## October 20, 2010

## **Financial Accounting Standards Board**

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Norwalk CT 06856-5116

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

# Re: Comments on the FASB and IASB's Exposure Draft on Revenue Recognition from Contracts with Customers

As an auditor and consultant serving the construction industry, I am extremely interested in the Boards project on revenue recognition and it is my desire to ensure that high-quality accounting for the construction industry is maintained.

I have significant concerns over how the new standard may be applied to our clients and the construction industry. The current guidance in the Exposure Draft for recognizing revenue at the "performance obligation" level presents significant challenges for construction companies and independent auditors and carries the very real risk of adverse economic effects on our industry stemming from an inferior method of revenue recognition. The inherent subjectivity of the prescribed process for identifying and allocating revenue to performance obligations will lead to less consistency and transparency in the financial reporting process in the industry. The inherent subjectivity also opens to the door to financial engineering and outright manipulation.

My main concerns with the proposed changes are:

- Breaking down contracts into "performance obligations" will be very burdensome on controllers and outside CPAs.
  - It will exponentially increase the amount of paperwork within the construction company causing additional overhead expenses.
  - o Audit work and fees will be increased.
  - o Accounting software systems will not be equipped to handle this treatment.
  - There is a significant risk of manipulation with having several performance obligations to estimate profit instead of one overall contract.
- It is my belief that sureties and banks will want to see revenue recognized on the contract as a whole, and will request percentage of completion financial statements that will require GAAP departure.

While we appreciate the Boards efforts to create a single standard to apply to virtually all industries and transactions, we maintain a belief that the key principals of the proposed standard need to be interpreted in such a way to preserve the key tenets of SOP 81-1. Otherwise, the

Boards run the very real risk of creating inferior accounting rules when applied to the construction industry.

Finally, I ask that private companies be given at least one additional year to comply with the proposed standard once it becomes effective for public companies.

Kindest regards,

# Eddie Thompson

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