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1820-100 Comment Letter No. 265 Service

&
Construction

October 21, 2010

Financial Accounting Standards Board 401 Merritt 7 PO Box 5116 Norwalk, CT 06856-5116

Attn: Technical Director - File Reference # 1820-100

(Via e-mail to director@fasb.org)

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

Ladies and gentlemen:

I am a construction industry financial executive and have interest in and concerns regarding the Board's project on revenue recognition. I appreciate the opportunity to provide input. I believe we all share the same objective of enhancing and improving the accounting and reporting in the construction industry.

In general, it is my strong belief that revenue recognition at the "performance obligation" level, as proposed, is unnecessarily complicated and creates significant challenges for all stakeholders in the financial reporting process of the construction industry. The current guidance in the Exposure Draft has the real potential of creating confusion and adverse economic effects for our industry. Identification of "performance obligation" criteria within each contract is quite subjective and unnecessarily complicated, which would lend itself to manipulation and financial engineering by unscrupulous financial statement preparers. I feel strongly that the users of financial statements, including the banking and surety industries, may well have less confidence in the financial statements, because of the confusion that is created by the new requirements.

I believe that the reason the Boards are receiving negative comments from the construction community is based in the fact that the proposed revenue recognition rules do not reflect economic reality. With some fairly minor changes, consistency and fairness can be maintained in our industry's accounting for revenue recognition.

I have worked for many years in the construction industry, both as a general contractor and as a specialty trade subcontractor. At TLC, we have several hundred construction contracts in any given year, with inherent differing conditions and requirements in each of those contracts. We really have no consistent basis for separating the components of the contracts and determining distinct profit margin criteria. In the vast majority of cases, there is typically no more than one performance obligation per contract. Hence, the drive to separate these components will simply create confusion and no real benefit, in our opinion.



Regarding the determination of contract price, we believe that variable consideration of revenue recognition, such as bonuses and penalties, should not be included in the calculation of contract revenue until the realization of such items is reasonably assured. Again, inclusion of these items before they are reasonably assured is highly subjective and subject to manipulation. The more conservative method is to exclude them until such time.

We understand that the Boards are attempting to create a single standard that can be applied to virtually all industries. We believe that the principles of SOP 81-1, which have served our industry well for many years, should be followed. To do otherwise, the Boards create the very real risk of providing inferior accounting standards when they are applied in the construction industry.

Also, as one of many privately held companies in the construction community, with limited resources, we request that private companies be allowed at least one additional year to implement any new standard that becomes effective for public companies.

Please contact me if I can provide additional information.

Sincerely,

Scot Thurgood, CPA

CFO