

October 15, 2010

Financial Accounting Standards Board
Attn: Technical Director
File Reference 1820-100
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To Whom It May Concern:

I believe there are merits to adopting a common standard for revenue recognition and I can only appreciate the hard work it has taken so far. That being said, I believe there are several hurdles to overcome as the terminology chosen in the exposure draft issued June 24, 2010 has resulted in much confusion and the intent may be vastly different than the interpretation.

I am a Chief Financial Officer and an owner of a privately held electrical contractor. I have been in the industry for almost 20 years. We perform primarily commercial and industrial projects for various market sectors such as public works, healthcare and data centers, manufacturing facilities, and commercial operations. Our projects range from small time and material projects to large fixed price projects, some of which are bid using unit prices and some of which are GMP (guaranteed maximum price). Many of our projects are larger fixed price projects in excess of \$100,000. Most of them are greater than one year in duration. We receive a single contract from a general contractor or an owner that typically ends up with several change orders as the work progresses. Change orders are a common occurrence as scope changes during the project. The common denominator between us and the contractor or owner is the single contract to install something (switchgear, conduit, fixtures or a combination of these). If a general contractor is to break their contract with us into various performance obligations and that is different from the way we would break down our contract, I can only visualize extra work in communication, billing, etc. that will increase costs. Currently the breakdown we provide for the general contractor is for purposes of billing on a schedule of values. However, those line items are not distinct performance obligations in our case. Line items are generally things like light fixtures, switchgear, and conduit installation.

We incur significant up front costs in procuring a contract. First there is the bid process itself which takes time and resources. Even if we are the successful bidder and eventually receive a contract, there is still much up front preparation work before mobilization can even occur to make sure the project is built correctly. The project is rarely built the way it is estimated. If mobilization costs had to be capitalized and no revenue could be billed until after that time frame, it will further delay the ability to collect cash. Cash is a premium for a subcontractor because we must pay our employees for work incurred on a weekly basis and, in addition, pay our vendors for materials ordered, in advance of ever collecting a dime from a general contractor. Further, we often deal with retention, the standard being 10% that is withheld from our billing. On larger projects this amounts to millions of dollars that could be put to use.

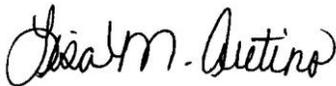
As I mentioned earlier, we are privately held. Our net profit percentage has averaged 8-15% in better times. With the economic fallout, we incurred a loss in 2009. This year we have been fortunate to make and sustain a net profit this year around 3%. This is before taxes. This is primarily due to measures we took last year to become as lean as we possibly could. The risk that I and my partner, as owners, take to earn 3% is incredible. Sometimes we feel crazy to incur these risks. If these new measures for revenue recognition are put into place, I do not understand how we would be able to implement this as it currently is stated. I can only envision increased overhead as the financial statements become more complex. I see several sets of financial statements as our surety and bank would require financial statements much like today for comparability purposes. If the overall objective of this exposure draft for revenue recognition is to provide useful information to users of financial statements, then I believe it fails. There are very few in our company who truly understand a financial statement despite training. They don't use it as a tool every day so that is understandable to a degree. By further complicating the financial statement, rather than simplifying the process, we are doing ourselves a grave disservice. How credible will our internal financial statements be for those that now rely on them?

I attended a webinar on revenue recognition recently where one of the primary focuses was the performance obligations. Up to this point there has been very little guidance on performance obligations. An example was shared of a contract with a single school versus a contract with three schools at three separate locations. If the intent of a performance obligation would be such that the contract for the single school is a single performance obligation and the contract for the three schools at three separate locations is three performance obligations, then it appears to make more sense. There are going to be a myriad of examples however, and if each contractor's Chief Financial Officer is the person responsible for determining these performance obligations, every contractor will do things differently based on judgment. In reality it is the estimators who know how the project was bid and it is the operations personnel who determine how the project will be built. When estimators are bidding, they are bidding on a single project, not separate performance obligations. Operations personnel are building a single project. It is highly unlikely that we would only install light fixtures or only install switchgear. Each piece is interdependent on the other.

The current international standards have a separate standard for construction and follow percentage of completion because it is so different from other industries. Going away from a process that works could be disastrous for an industry that routinely makes such low profits. Controls are now in place with overbillings and underbillings on the balance sheet. These are routinely monitored by our surety and bank. Furthermore, our surety bonds a single contract and we file pre liens on single contracts. I believe breaking these contracts down further will be cumbersome. The costs will far outweigh the benefits.

I respect the work that has gone into creating this draft. However I also believe work needs to be done to help mitigate the confusion that has resulted so that the intent is clearer.

Very truly yours,



Lisa M. Autino
Chief Financial Officer