

**From:** [Pilgrim, Dwight](#)  
**To:** [Director - FASB](#)  
**Subject:** Proposed FASB Revenue Recognition Rules  
**Date:** Tuesday, October 19, 2010 1:01:32 PM

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Dear Sirs:

I have been a CPA since 1977 and work on a daily basis in the evaluation of contractor financial statements. I understand the desire to have the revenue recognition standards consistent on a uniform basis from one country to another and one industry to another. I strongly oppose the blanket implementation of requirements that will be a costly and unproductive burden on small contractors that have operated with the current guidelines for revenue recognition for decades without any push for changes from the users of their financials.

The basic premise of the proposed segment reporting methodology is flawed on construction contracts. A risk for a contract for the construction of a project is not divisible into pieces. A construction contract for any project is a unique obligation that is prosecuted over time and current accounting practices provide an excellent, objective and practical basis for the matching of the costs incurred with the revenue generated that is not subject to manipulation.

Contractors operate their companies on a contract by contract basis because they understand that the risks for a contract are not separable. The contractors monitor the progress of the jobs as they are completed and adjust their estimates of cost to complete on a periodic basis to accurately report their income because they as the owners of the business use this information to properly run their business.

Surety companies are the life blood of the construction industry. They, more than any other user of financials, understand that the obligation on a construction contract is indivisible. They use the percentage of completion accounting to measure the satisfaction of their obligations under the contract. Their systems are designed to monitor this progress and measure their outstanding liability for jobs in progress. Their reinsurance treaties that transfer risk in excess of their retention provide for limits of risk extended to any single contractor to be measured on this basis. Lines of authority issued to agents for the clients are also issued on this basis.

I believe that any accounting standard should be driven by the needs of the users of the financials. The needs of a contractor that performs 10 contracts a year less than \$1MM each are significantly different from those of the multinational company with sales in the billions and thousands of contracts. Any change in accounting should have some consideration of these standards and the needs of the users of the statements. If a company is publically traded and has outside shareholders making investments in the stock of companies located on a global basis they might want to have reporting on this basis. The implementation of these requirements for those companies could make comparison of different investments simpler.

However, I find no merit in this change for the vast majority of contractors who are

struggling with the harsh realities of a depressed economy. The last thing they need are additional costs of administration with no measurable benefit.

Respectfully,

**Dwight A. Pilgrim CPA**

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