

From: [Wood, Andrew](#)
To: [Director - FASB](#)
Subject: Re: Comments on the FASB and IASB's Exposure Draft on Revenue Recognition from Contracts with Customers
Date: Tuesday, October 19, 2010 6:28:05 PM

Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk CT 06856-5116
Attn: Technical Director – File Reference No. 1820-100
(Via U.S. Mail and Electronic Mail)

As a Chief Financial Officer of a privately held construction company, I am very concerned about the proposed changes to the industry's revenue recognition rules that depart from SOP 81-1. The proposed new revenue recognition rules will present many challenges to the hundreds of thousands of relatively small privately held firms in this industry.

Specifically, the dissecting of construction contracts into "performance obligations" of which will be the bases of revenue recognition is quite troubling. I believe this method will result in an inferior means of recognizing revenue and one that is subject to much subjectivity and manipulation. It will also create a divergence in financial and managerial accounting methods thus creating more work for typically overburdened accounting staffs. Furthermore, there will be significant time and expenses incurred to adopt these changes in our accounting and job costing software. It should be noted that this industry struggles with lower quality, small software firms relative to other industries due to the construction industry's tendency to limit the amount it spends on overhead/office technology versus production technology.

I believe the basic principles of SOP 81-1 provide the most accurate and logical way to recognize revenue for most long term construction contracts. The overall contract is the "performance obligation" and the balancing of total revenue against total costs provides the clearest picture of the overall financial results of that obligation.

If this rule is changed, I would request that private companies be given at least two additional years to comply with the proposed standard once it becomes effective for public companies. From my experience, the software vendors and accounting staffs will need at least that much time to comply.

Regards,

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