From: George Muller
To: Director - FASB
Subject: Comment Letter - File Reference No. 1820-100
Date: Thursday, October 21, 2010 11:06:13 AM

Gentlemen:

As a privately-held heavy/highway construction company financial executive, I have significant concerns regarding the FASB and IASB's Exposure Draft on Revenue Recognition from Contracts with Customers (ED) and how the proposed new standard may be applied with respect to our company. We are not a large company, with revenue of approximately $54 million in 2009, and have limited accounting resources.

The current revenue recognition model in the industry, SOP 81-1 (ASC 605-35), is NOT broken. I am not aware of any contractor, surety, banker or auditor who believes this ED represents an improvement or advancement in any regard, over SOP 81-11. We already have a revenue recognition model with virtually universal acceptance and application that works well for internal and external reporting, and has been adopted by the IRS as the most favorable method for determining taxable income. Any effort to undermine the key tenets of SOP 81-1 would be a step backward and, in my view, clearly a mistake.

- This ED introduces significant subjectivity which requires more analysis (taking more time and therefore costing more) with, I believe, no significant improvement in results; yet with significant risk of loss of consistency and chance of manipulation. This is certainly NOT an improvement.

- Contractors would probably end up keeping two sets of computations to satisfy internal and external needs.

- Software programs would have to be modified to enable or facilitate the segmentation and re-aggregation of contracts to balance new external reporting requirements with internal management information needs.

- Audit costs would increase due to the risks inherent with significant subjective assumptions and estimates.

- Internal costs will increase in an industry that traditionally operates on thin margins (in our case driven almost exclusively by competitive bid). This would certainly negatively impact our company smaller contractors probably could not afford to operate in this new environment.

The Board should recognize that in most cases, ALL construction activities for a given project are highly interrelated and have inseparable overall risks. We do not offer nor sell contract components separately and have no basis for determining component prices. Every we have contract is different - geography, terrain, traffic conditions, type of road (street, intersections, highway, toll road, etc), time constraints, type of work (repair, overlay, reconstruction), etc.

With respect to determining contract price, I believe that variable consideration such as bonuses or penalties should be excluded from contract determining contract revenue until realization is reasonably assured. Until that time, such inclusion would be highly subjective.

I appreciate the Boards efforts to create a single standard to apply to various industries and transactions; however, applying this ED as proposed to the construction industry would result in higher costs, less consistency within the industry and, I would argue, inferior financial reporting compared to what we have at present.

I also think that the Board should take into consideration the very real differences between large multi-nationals and small privately-held companies. To make ALL companies jump through the same hoops just ignores reality — they ARE different; they have different stakeholders and different financial significance and potential impact. The CAN be such a thing and “big company GAAP” and “small company GAAP.” Trying to get one size to fit all nearly ALWAYS has a detrimental effect on the little guys, with little or no real benefit to anyone.

Respectfully,

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