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To: [Director - FASB](#)
Subject: Comment Letter - File Reference 1820-100
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FASB Director,

In response to the request to provide feedback on the revenue recognition issue being proposed, I would like to submit my thoughts for consideration. I am a CPA in the state of Illinois and work as a credit analyst in the insurance industry. I focus on reviewing the financial statements of large commercial contractors across the United States and have built a database repository of the nearly 900 reviews and metrics I have compiled over the last 5 years.

I have several concerns regarding the proposed changes. When aligning the proposed standard against FASB's Statements of Financial Accounting Concepts, I find several areas of incongruity:

1. Reliability: verifiability and neutrality

The proposed standard relies heavily upon management judgement and estimates, which is a deviation from the current standard which is based on verifiable resources and can be attested by an auditor. As a primary user of the financial statements, I rely heavily on the validity of the numbers provided in order to determine the credit worthiness of a company. My company deals with significant dollar amounts and the judgements I make can have significant impact on both our customers and the collateral we require as well as the business decisions to work with particular contractors. The proposed standard seems to deviate from the idea of having the financial statements free from bias, given that a company's management team will have strong incentive to manipulate the revenue estimates in order to improve their company's appearance of profitability.

2. Comparability and Consistency

I have been tracking various accounting metrics for 5 years now and have developed a comprehensive database of contractor results. Others in my line of work have done this as well. By changing the revenue recognition approach, our benchmarks will become less relevant and make it very difficult to compare companies across their respective industries and also to compare their results against themselves over time. While they may update the current and prior year for the new standard, we will not be able to go back over years and develop trend analyses. Measuring revenue is such a significant component of an analysis, this will cause significant difficulties in making business decisions based on the history of a particular company.

3. Costs and Benefits

Having spoken to several contractors, most have said that they will now have to maintain 3 sets of books - GAAP, tax and the previous percentage of completion method of revenue recognition. Contractors will not abandon the current revenue recognition standard because it works so well for managing a construction company. They have trained all their key personnel in the reading of these reports and have found that they are tremendously useful in making business decisions regarding the status and progress of particular jobs. Therefore, the accounting staff will need to monitor all revenue items according to three separate approaches. This will be costly to a firm with little to no benefit provided.

Additionally, most contracting firms are privately held. The users of their financial statements are limited to key leadership in the firm, banks/lending institutions and credit analysts in the insurance industry - both for their surety bonding and primary insurance programs. Given this limited audience, the GAAP standards will provide no added benefit and in fact will be an added burden to the industry. Speaking for credit analysts, I will still want to see the financial reports stated per the current standard using percentage of completion method with the corresponding work in progress reports detailing the over- and under-billings. One potential outcome that I foresee is that most contractors will disregard the new standard and accept a qualified audit opinion that says that they have continued the practice of percentage of completion.

4. Matching Principle

The current standard is a direct reflection of the principle of matching revenue and expenses which provides the users with a solid understanding of a firm's financial performance during a period and help assess the prospects for the future. The proposed standard is a significant deviation from this principle and again causes concern about the reliability and neutrality of the information provided. I still do not fully understand the philosophy behind recognizing revenue based on "performance obligation" rather on the principle of what has actually been earned.

Thank you for your consideration of these thoughts. I wish you well in your endeavors to maintain the highest standards of financial reporting excellence in the U.S. If you should have any questions, please feel to reach me any time.

Many thanks,
- Elizabeth Killackey, CPA

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