

From: [Rich Shavell](#)
To: [Director - FASB](#)
Subject: Comment Letter- File Reference No. 1820-100
Date: Friday, October 22, 2010 12:11:20 PM

October 22, 2010
Mr. Russell Golden
Technical Director
File Reference No. 1820-100
Financial Accounting Standards Board
401 Merritt 7 Corporate Park
Norwalk, Connecticut 06856-5116

Dear Mr. Golden:

We are a boutique accounting practice specializing in commercial contractors. We are responding to the joint Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB) Exposure Draft on Revenue Recognition (Topic 605). I am concerned about how my clients will be affected if this exposure draft is enacted. You have heard already the following from many contractors:

1. The most critical component of generally accepted accounting principles is to produce financial statements that will meet the needs of the users of those statements. One of the most important users of our financial statements is the surety industry. Certain members of the surety industry say they will NOT embrace the proposed changes and expect they will require contract data from the construction industry in the same manner as is currently provided to them, essentially ignoring the proposed guidelines.
2. It is universally agreed by industry stakeholders, including my company, that the proposed changes will increase financial statement complexity, add administrative costs and reduce the standardization of methodologies in reporting, thereby, reducing financial statement credibility.
3. The lack of clarity under these proposed changes will lead to a wide range of subjective markers to break down "performance obligations" within each contract. This is further complicated with the prevalence of change orders at various stages of the typical construction contract. Construction industry financial statements would then contain results that differ greatly from period to period, contract to contract, and company to company. A requisite for competing in today's economic environment is a "level playing field," and these proposed changes would eliminate same, enabling or even encouraging certain competitors to take advantage of the lack of clarity in guidance.

In the end these changes, if enacted, will cost many contractors money, time, and potentially reduce or eliminate their bonding capacity. We believe that many governmental agencies that have a 'prequalification' process (i.e. the various state departments of transportation) will eventually follow the sureties in requiring statements under SOP 81-1. Prior to those federal and state agencies making such decisions we see the potential for two sets of issued statements: GAAP for certain agencies and SOP 81-1 for bonding purposes. You have the opportunity to 'get it right' - we ask that FASB carefully consider the impact to an entire industry of which only a handful of companies are public companies.

It is clear that the FASB and IASB have the best intentions in mind, but we do not believe

this Exposure Draft meets the intended objectives as applied to the commercial construction industry. It would only serve to confuse the end users of the financial statements, increase contractors' costs and provide a means by which financial results could be manipulated. Moreover, the standards proposed in the Exposure Draft do not fully consider the underlying operations and needs of commercial construction companies, who should be afforded an exception if these standards are approved, permitting the continued use of SOP 81-1 instead of adopting the new standard. Thirty-years of consistency and the universal acceptance of the percentage of completion method under SOP 81-1 should not be ended because there is a desire to achieve a "one size fits all" approach that does not consider the end users of our financial statements.

Thank you for your consideration and the opportunity to share these comments.

Regards,

*Rich Shavell, CPA, CVA, CCIFP
Shavell & Company, P.A.
7700 Congress Ave.; Suite 2104
Boca Raton, FL 33487
phone: 561-997-7242 x212
fax: 561-997-7262
email: rich@shavell.net*

*Certified Public Accountants
and Consultants www.shavell.net*

*This e-mail is intended solely
for the person or entity to which
it is addressed and may contain
confidential and/or privileged
information. If you have received this e-mail
in error, please contact the sender
immediately and delete the material
from any computer. Thank you.*

IRS Circular 230 Disclosure: You are hereby informed and advised that to the extent this electronic transmission (including any attachments hereto) contains any United States federal tax advice, that such advice is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code. The foregoing disclosure is being made in order to comply with the requirements of IRS Circular 230, and is not meant to suggest or imply that any tax advice is being rendered herein.