



June 25, 2015

Susan M. Cospers, CPA
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Norwalk, CT 06856-5116

Re: April 29, 2015 Exposure Draft of a Proposed Accounting Standards Update (ASU), *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date* [File Reference No. 2015-240]

Dear Ms. Cospers,

On the behalf of the Construction Industry CPAs-Consultants Association (CICPAC), a national association of accounting firms who serve over 7,500 construction companies, we are writing this letter to you today to share our position on the proposed guidance to defer the effective date as it relates to *Revenue from Contracts with Customers* by one year.

Question 1: Should the effective date of the guidance in Update 2014-09 be deferred for one year for public business entities, certain not-for-profit entities, and certain employee benefit plans? Please explain why.

CICPAC is in support of a one-year deferral of the effective date for public business entities, certain not-for-profit entities, and certain employee benefit plans (public entities) due to the amount of time that has elapsed since the issuance of the final standards and the effective date. A one-year deferral would provide the construction contractor community additional time to determine how existing operations, related information technology and other systems will need to be updated/modified for any changes in the revenue recognition model.

In addition, the extension would provide our practitioners additional time to assess and modify, accordingly, our attest procedures as a result of the implemented standard.



Question 2: Should the effective date of the guidance in Update 2014-09 be deferred for one additional year for all other entities? Please explain why.

CICPAC supports the proposal to defer the effective date of the guidance for one year for all other entities for the reasons stated above. In addition, CICPAC feels that the privately owned construction community will have an opportunity to learn transitioning best practices and benefit from the experiences of public sector. The extra year prior to implementation will also allow for the private construction contractor to perform additional research and explore/consult with new resources that may emerge after the public side has completed adoption and implementation.

Question 3: In addition to providing a one-year deferral of the effective date of the guidance in Update 2014-09, should the Board also provide an optional two-year deferral for all entities that apply that guidance retrospectively to each reporting period presented? Please explain why.

CICPAC feels that a two-year deferral would not be beneficial to our members and their clients. Considering the nuances and the uniqueness of a contractor's financial statement, which relies on management's estimates, the two-year deferral would create an additional year of non-comparability, which we believe will lead to increased underwriting scrutiny as well as industry comparability issues, especially if some entities elect an early adoption and others do not.

Question 4: Should earlier application of the guidance in Update 2014-09 be permitted as of the effective date originally included in Update 2014-09? Please explain why.

As of the date of this letter, CICPAC does not support allowing early adoption as we believe this would impact the financial statements users' decisions about a construction contractor, especially as it relates to financing and bonding capacity. To reiterate our comment above, early adoption would create an unnecessary period of non-comparability between the financial statements of any entities electing to implement the standards (i.e. Y1 would be based on the percentage of completion method and Y2 under the new, yet unidentified, model). We see this as an underwriting concern in the credit community, as these third party users of the financial statements, such as sureties and banks, have not been educated on the new recognition standards. Allowing early implementation, thus two possible methods of contract revenue recognition, will only add to the concerns of these statement users.



On behalf of all of our members, CICPAC appreciates the opportunity to share our position and insights with you. Our Executive Committee would be happy to discuss our positions with you at your convenience. Thank you.

Sincerely,



John Corcoron
Executive Director, CICPA



Carl Oliveri, CPA CCIFP
Partner, Construction Practice Leader
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