



March 12, 2012

Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: File Reference Number 2011-230

On behalf of the American Council of Engineering Companies (ACEC) – the national voice of America’s engineering industry – I am writing to provide our comments on the Financial Accounting Standards Board (FASB) revised exposure draft entitled *Revenue from Contracts with Customers*. We appreciated the opportunity to highlight our concerns about how the original exposure draft would have impacted the engineering and construction industries. Furthermore, we commend FASB for taking the comments it received into consideration, and we are pleased to submit these comments on the revised proposal.

ACEC members – numbering more than 5,000 firms representing hundreds of thousands of engineers and other specialists throughout the country – are engaged in a wide range of engineering works that propel the nation’s economy, and enhance and safeguard America’s quality of life. Changes to revenue recognition standards involving contracts would have a significant and particular impact on engineering and construction firms because of the long-term nature of projects in the built environment.

ACEC commends FASB for certain modifications to the original exposure draft that was released in 2010. In particular, we appreciate changes made to how revenue would be recognized over time in the proposed model. As you know, under current guidance the percentage-of-completion method is generally used in the engineering and construction industry. In our previous comment letter we expressed concerns that the percentage-of-completion method would no longer be available for engineering and construction contracts.

We were particularly concerned that a construction contract would be considered a single performance obligation without the ability to use the percentage-of-completion method. In many cases, engineering revenue might not be recognized for many months or until the project is completed because significant engineering activity occurs concurrently with

construction. This would distort the picture of an engineering firm's value and could damage a firm's standing with creditors, financial institutions, and clients.

ACEC appreciates the willingness of FASB to respond to the concerns expressed by the engineering and construction industry on this point. We urge FASB to retain sufficient flexibility in the new guidance so that the number of performance obligations associated with a contract will reflect the facts and circumstances of the arrangement with the client.

We continue to be very concerned about the administrative burden posed by FASB's decision to require retrospective application of the proposed changes. For a large public firm, that would entail restating five years of financial statements. A firm of this size is likely to have thousands of contracts at any given time, making revision of the financial statements and how revenue from these contracts is reported completely impractical. Although ACEC understands the goal FASB is trying to achieve, it needs to be balanced with feasibility for firms. We continue to recommend prospective application of the proposed changes.

Once again, ACEC commends FASB for its deliberative process and for taking the comments of affected parties into consideration.

Sincerely,



Katharine Mottley
Director of Tax and Regulatory Affairs