

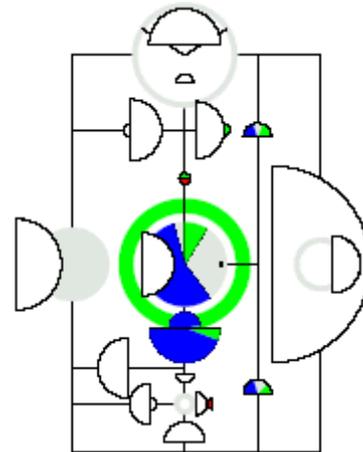
FROM: Carl T. Thomsen PhD, CPA; Professor of Health Policy and Management
Loma Linda University

TO: SECURITIES AND EXCHANGE COMMISSION
[Release Nos. 33-8896; 34-57331; **File No. 265-24**]

**Progress Report of the SEC Advisory Committee on
Improvements to Financial Reporting.**

For the past 40 years I have worked on **increasing** the usefulness and **reducing** the complexity of financial reporting [same goal as CIFR].

I have concluded that those objectives are best accomplished by superimposing a computer-generated graphic on top of a substantive comprehensive numerical model of any firm. The model is comprehensive if [at a given level of aggregation] it fully reports the **flows** that caused beginning **balances** to become ending balances. Current financial reporting **does not** meet that standard. I have examined hundreds of 10-K reports and have yet to find one from which I could derive all the numbers for a comprehensive numerical model. I have constructed comprehensive models for numerous firms, but I always had to make educated guesses for some of the numbers. This is an unacceptable and fatal flaw of accounting as currently practiced.



The introduction of XBRL did **nothing** to help remedy that flaw.

The graphic above—and the slightly different version on page 2 that replaces only six lines of the traditional 10-K report—represents in highly aggregate form the four traditional statements [income, cash flow, equity, and financial position]. While they appear incomprehensible at first glance, they are readily understood by fifth graders.

To move **forward** as a profession we must courageously step **back** to fix the flawed model and replace it by a simple, elegant, and universal model. The simplest form of such a model is the hourglass that moves sand [economic value] between two chambers [accounts or states]. The hourglass represents a closed system, in which the total value [sand] remains unchanged. The genius of accounting is the use of closed systems to model very complex systems.

I recommend that every member of the Committee and for that matter any accountant read the article in Wikipedia on **Map Projection** followed by serious reflection on how we can project a complex reality on a simple model.

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

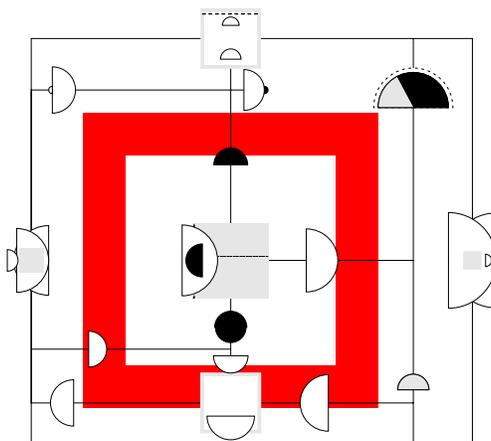
For The Fiscal Year Ended June 30, 2000

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from to

Commission File Number 0-14278

MICROSOFT CORPORATION



Securities registered pursuant to Section 12(g) of the Act:

Common Stock

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of common stock held by non-affiliates of the registrant as of September 8, 2000 was \$302,326,027,351.

The number of shares outstanding of the registrant's common stock as of September 8, 2000 was 5,355,376,816.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the 2000 Annual Report to Shareholders are incorporated by reference into Parts I, II, and IV. Portions of the definitive Proxy Statement dated September 8, 2000 to be delivered to shareholders in connection with the Annual Meeting of Shareholders to be held November 9, 2000 are incorporated by reference into Part III.