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Re: File Number S7-27-08

**ROADMAP FOR THE POTENTIAL USE OF FINANCIAL STATEMENTS  
PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL  
REPORTING STANDARDS BY U.S. ISSUERS**

We appreciate the opportunity to comment on the proposed IFRS Roadmap. Air Products serves customers in industrial, energy, technology, and healthcare markets worldwide with a unique portfolio of atmospheric gases, process and specialty gases, performance materials, and equipment and services. Air Products has annual revenues of \$10 billion and operations in over 40 countries.

We agree with the objective of a single-set of high-quality global accounting standards. However, rather than an SEC mandate requiring the use of IFRS, we believe this objective is best achieved via the convergence of U.S. and international accounting standards over time. Our comments on specific areas of concern with the proposed Roadmap, including the significant cost of IFRS implementation, achieving comparability in reporting under principle-based standards, and the need for accounting boards to be independent of political pressure, are provided below.

**Cost of IFRS Implementation**

We cannot justify the significant cost of implementing IFRS absent a strong business case regarding benefits to our company. The cost estimates of initial implementation included in the Roadmap clearly indicate the enormity of the effort. We would also expect the ongoing costs associated with IFRS compliance to be higher given the education, training, and staffing requirements needed to address the increased documentation, disclosure requirements, and auditor involvement under a principle-based standard.

**Investor Involvement**

The major beneficiary of a single-set of accounting standards would be investors and users of financial statements assuming comparable reporting by companies, which leads to better informed investment decisions. Accordingly, we would emphasize the need to ensure input on the Roadmap and the path forward is obtained from investor and user groups. What is their view on particular areas of concern, the timing, and the approach to any transition to IFRS (e.g., should a phased-in approach be based on market capitalization or by industry/SIC code)?

### **Comparability**

While many countries are currently using IFRS, it is not necessarily IFRS as issued by the IASB. These jurisdictional variations hinder comparability of reporting. There must be a cooperative and coordinated effort to eliminate country variations in application if comparability and the associated benefits are to be achieved.

### **Principle-based Standards**

We are generally supportive of a more principle-based approach and the increased flexibility which allows the application of professional judgment to reflect the substance and economics of transactions. However, we also recognize that less detailed standards and more judgments could lead to inconsistencies, i.e., different accounting treatment for similar situations by different filers. Further, cultural and language differences may lead to a lack of comparability. The challenge of achieving comparability using IFRS, or any principle-based standards resulting from convergence, must be recognized and actively managed if it is to be achieved.

We have concerns about the implementation of principle-based standards by auditors and within the legal system in the U.S. Given the litigious environment in the U.S., we would see a need to change the securities laws. Action would be needed to prevent lawsuits where reasonable and supportable judgments and estimates are used as required to apply principle-based standards, as opposed to an intent to defraud or as a result of negligence. Auditors have become accustomed to rule-based standards, including those with bright-line tests. If auditors continually seek additional interpretations, would a shadow rule-based system evolve in the background of IFRS?

### **Convergence of Standards**

We have and will continue to be supportive of the FASB and IASB joint efforts towards convergence. Rather than an SEC mandate requiring the use of IFRS, we would encourage an accelerated and more focused approach towards convergence, including definition of more specific, quantifiable measures to be achieved by specified times. Convergence of the standards over time would have the benefit of shifting the costs of implementation over time. Further, overall costs would be significantly reduced as the need to run parallel systems and generate full audited financials during the transition period is eliminated.

### **Independent Standard Setting**

The FASB has successfully represented independent standard setting in the U.S., where standards have not been compromised by political influence. We support the effort towards greater political independence of the IASB with the establishment of the Monitoring Group, which would oversee the International Accounting Standards Committee (IASC) Foundation. We would emphasize the need to evaluate whether this Monitoring Group functions effectively and what other steps might be taken to ensure the IASB's standard setting process is not improperly influenced by political pressures. Consistent with our position to pursue convergence of standards, versus mandated use of IFRS, we believe the U.S. should continue with an independent standard setting board which would be responsible for issuance of standards in the U.S. We have and will continue to be strong supporters of due process in standard setting. Regardless of the underlying organizational structure, due process must

remain, encouraging active participation and comments from constituents in the development of standards.

### **Limited Early Use**

We do not support an option to allow U.S. companies to adopt IFRS early, unless part of an SEC mandate permanently requiring the use of IFRS. In any event, we would not expect a significant number of companies to elect this option absent a firm mandate, recognizing the cost and time companies would incur to prepare. We do not support the early-use option from the perspective of obtaining additional data to be used in decision making on converting to IFRS. In this difficult economic environment and time of restructuring for many companies, we do not support costly regulations issued on a limited use or temporary basis.

### **Proceeding with Roadmap**

If the SEC proceeds with the Roadmap, it should do so cautiously. Additional comments on specific areas of the Roadmap are provided below:

#### Milestones

We agree the areas set forth as milestones (i.e., improvements in accounting, accountability and funding IASC foundation, use of interactive data, and education and training) are important considerations. We recommend identifying more specific, quantifiable measures to determine whether milestones are met. For example, define a specific level of convergence or completion of specific projects to assess the improvements in accounting. We would suggest that progress towards the milestones be reviewed on an annual basis, and the SEC mandate be delayed until the milestones are met.

#### Time to Transition

Based on background information provided by consultants/surveys, we believe a minimum two-year period, perhaps three years, is required for a company of our size to effectively prepare for transition. Also, we would want to run parallel systems in the first year subject to IFRS reporting (i.e., earliest year included as a comparative prior year when adopted). Therefore, we believe there must be a minimum of two-years, ideally three years, prior to the first year subject to IFRS reporting. As an alternative, the SEC might provide relief by requiring only two years of data in the initial year.

#### Proposal A vs. Proposal B

Of the two alternatives being proposed with respect to disclosure of U.S. GAAP information, we would recommend Proposal A, which requires a one-time reconciliation to IFRS in accordance with IFRS 1. IFRS should be adopted without modification. We would agree that Proposal B, which requires ongoing annual reconciliation, would give readers a better understanding of U.S. GAAP vs. IFRS for a longer period of time. What we find particularly troublesome about Proposal B is a focus on having companies be prepared to potentially revert back to U.S. GAAP if IFRS is not eventually mandated. As noted above, our view is that the commitment to use IFRS should be made before we start to allow companies to move to IFRS.

**Summary**

In summary, we support the objective of a single-set of high-quality global accounting standards and believe this objective is best achieved via global convergence. We cannot justify the significant costs of an SEC mandate to implement IFRS absent substantial benefits. We believe the benefits of a single-set of standards are to investors and users of the financial statements but only if comparable, our concerns on which are expressed above. We encourage additional input from investors and users of financial statements on the Roadmap to ensure their views are considered and addressed, and that achieving desired benefits is reasonably assured. Ultimately, focus should be on the desired end result of high-quality standards, which can only be achieved where standard setting is a function of due process, independent of political influence.

We appreciate the opportunity to provide comments on the proposed Roadmap and would be pleased to discuss our views further with you.

Respectfully,



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