Crowe Horwath LLP
Independent Member Crowe Horwath International

One Mid America Plaza, Suite 700
Post Office Box 3697
Oak Brook, Illinois 60522-3697
Tel 630.574.7878
Fax 630.574.1608
www.crowehorwath.com

July 29, 2011

Ms. Elizabeth M. Murphy
Secretary
U. S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

Re: May 26, 2011 Staff Paper *Work Plan for the Consideration of Incorporating International Financial Reporting Standards into the Financial Reporting System for U.S. Issuers, Exploring a Possible Method of Incorporation*

Dear Ms. Murphy:

Crowe Horwath LLP is the ninth largest public accounting firm in the U.S. Our clients report primarily using accounting principles generally accepted in the United States of America ("U.S. GAAP"), although we have clients that report under International Financial Reporting Standards ("IFRS"). We are an independent member of Crowe Horwath International, which includes more than 140 independent accounting and management consulting firms with offices in more than 400 cities around the world.

We support the Securities and Exchange Commission ("Commission") in its continued efforts to assess whether a single set of high-quality global accounting standards can be achieved. Given the importance of this initiative and its pervasive impact on issuers across all industries, we commend the Commission's outreach activities to engage all key stakeholders.

We are pleased to provide our comments and observations regarding the May 26, 2011 Staff Paper *Work Plan for the Consideration of Incorporating International Financial Reporting Standards into the Financial Reporting System for U.S. Issuers, Exploring a Possible Method of Incorporation* ("Staff Paper"). The Staff Paper describes a possible framework for incorporating IFRS into the financial reporting system used in the United States by aligning U.S. GAAP and IFRS, referred to as "condorsement", and requests feedback on this framework and any other possible approaches of incorporation of IFRS.

We believe that the overall concept of incorporation of IFRS via a condorsement framework should be further considered as a viable method for incorporation of IFRS into the financial reporting system for U.S. issuers. Under this framework, the FASB would retain its role as the accounting standard setter for U.S issuers which we believe would benefit investors, the public interest and the U.S. capital markets. Recent standard setting activities including the joint FASB and IASB MOU projects evidence the difficulty in achieving common standards that are acceptable to both the FASB and IASB, as there continues to be differences that are not insignificant between the two standard setters. The Staff Paper also provides several other significant hurdles to achieving accounting standards that can apply universally to all countries, which further supports the need to retain standard setting by the FASB.

Although we support the overall approach presented in the Staff Paper, we do have some concerns and observations with respect to this approach that are discussed in the remainder of this letter.

Inconsistency between Condorsement and Acceptance of a Single Set of High-Quality Global Accounting Standards

Although we support the condorsement method of implementation that will incorporate IFRS into the U.S. financial reporting system, we believe it may not be consistent with the goal of acceptance of a global set of high-quality accounting standards as issued by the IASB nor do we believe it is achievable based on the framework described in the Staff Paper.

The Staff Paper contemplates a framework for implementing IFRS within the U.S. financial reporting system where many, but not all, differences between U.S. GAAP and IFRS would be eliminated over time. The stated objective being that a U.S. issuer compliant with U.S. GAAP would also be able to represent that it is compliant with IFRS as issued by the IASB. In addition, the Staff Paper contemplates that the FASB would exercise its authority as the national standard setter and could decide to modify IFRS as written by the IASB or that "supplemental or interpretive guidance was needed for the benefit of U.S. constituents." The circumstances for which the FASB would consider modifying IFRS should be similar to the circumstances which the Commission exercises its authority to amend or add to the standards issued by the FASB and, therefore modifications should be "rare and generally avoidable."

Given the extent to which differences exist today and the expected differences that will arise under the concepts described in the Staff Paper, it is unclear how a preparer would be able to assert their financial statements are in accordance with both U.S. GAAP and IFRS if it is decided that the condorsement framework will be used. Existing differences, which encompass such areas as inventory, balance sheet offsetting, fixed asset revaluation/componentization, and others, are significant in nature. Using inventory as an example, the LIFO method of accounting for inventory is allowable under U.S. GAAP but not IFRS. Depending on the significance of inventory to an entity's financial condition, it would seem that in many cases, it is highly unlikely that an entity could assert that they were compliant with IFRS as issued by the IASB, if they followed the LIFO method of accounting for inventory. This is just one existing difference between U.S. GAAP and IFRS as issued by the IASB; however, other differences exist and based on recent standard setting activities it appears more differences may occur. Therefore, we believe the Commission should clarify what its ultimate goals and objectives are; whether to require a U.S. approach to IFRS as promulgated by the FASB or to support ultimately adopting a single set of global accounting standards as issued by the IASB.

Impact of Uncertainty in Timing of Incorporation of IFRS into the U. S. Financial Reporting System

We believe the uncertainty of when and how IFRS will be incorporated into the financial reporting system for U.S. issuers is weighing heavily on many constituents, including U.S. issuers, public company auditors, investors and academia. We believe it is very important for the Commission to make its final decision in an expeditious timeframe. A timely decision is necessary so that all interested stakeholders can make appropriate plans, whether for training and education or IT systems and other resources. Even with the proposed timing of five to seven years, certainty in the ultimate direction that the Commission will support would be welcome.

Perpetual Transition

The Staff Paper describes the transition period for incorporating IFRS into the U.S. financial reporting system as "gradual" and as "a multi-step process… [that] would be accomplished over a period of several (e.g., five to seven) years." The Staff Paper points out both the benefits and drawbacks to this type of approach.

The changes that would be required to align U.S. GAAP and IFRS (as contemplated in the Staff Paper) are significant and pervasive. Although both U.S. GAAP and IFRS frequently release and implement new guidance, changes of this magnitude over a short period are unprecedented. The FASB and IASB's current convergence efforts on revenue, leases, and other standards have wide-ranging and material implications for many issuers. In the future, the FASB and IASB would have to address additional significant areas, such as asset impairments, consolidations, and financial statement presentation. If the Commission and FASB were to require retrospective application of these standards and issuers are required to "spread out" the implementation of these standards over an extended period of time, financial statements may need to be restated for several years in a row. This could have a significant detrimental effect to the credibility and usefulness of financial statements to investors. Imagine a possible scenario where an issuer restates its prior year net income, and then discloses in the notes to the financial statements that issued accounting pronouncements not yet effective will require that same year's net income to be restated again due to the adoption of yet another accounting standard. In addition, this type of gradual approach could create additional costs in the following areas:

- Information system changes may be needed for several years in a row
- Disruptions to business operations could occur over several years as entities change systems and accounting procedures
- Contracts may need to be modified over several periods upon adoption of each standard
- Training will need to be spread over multiple periods

Unless the Commission takes action to significantly narrow the transition period, the gradual or "sequential" approach of incorporating IFRS into the U.S. financial reporting system could become an environment of "perpetual" convergence.

* * *

We appreciate the opportunity to share our thoughts with you. Should you have any questions please contact James A. Dolinar or Wes Williams.

Very truly yours,

Crowe Horwath LLP

Crowe Horwath LLP