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July 31, 2011

Ms. Elizabeth M. Murphy, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Dear Ms. Murphy:

Microsoft appreciates the opportunity to comment on the 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”. We support the approach outlined in the Staff Paper and believe it is the most appropriate approach for incorporation of IFRS into the U.S. financial reporting system. However, we do have concerns with the FASB’s role as outlined in the Staff Paper and believe the FASB’s role needs to be robustly defined in order to ensure that U.S. interests are suitably addressed in the development of international accounting standards.

Staff Paper Framework

Microsoft believes the framework outlined in the Staff Paper appropriately balances the goal of moving to a single set of high quality, globally accepted accounting standards, while doing so in a practical manner that would minimize both the cost and effort needed to incorporate IFRS into the financial reporting system for U.S. issuers. We believe this is particularly true for IFRSs described in the Staff Paper as Category 3 – IFRSs Not Subject to Standard Setting.

During our ongoing analysis of the changes that adoption of IFRS would have on our current accounting under U.S. GAAP, we have identified a number of areas that could have a significant impact on Microsoft that are not part of the IASB/FASB MoU projects or current IASB standard-setting projects, including stock-based compensation, research and development, property, plant and equipment, contingencies, and impairments. Given the potential for significant changes in these areas based on adopting the existing IFRSs, it is appropriate to pursue incorporation in a practical manner in order to reduce the volume of required systems changes and the impact on other areas such as internal controls.

Role of the FASB

Microsoft agrees that the FASB is the most appropriate body to ensure that U.S. interests are suitably addressed in the development of international accounting standards. However, we struggle to see how the examples of the FASB’s role in the IASB’s

standard-setting process listed on page 9 of the Staff Paper will ensure that U.S. interests are suitably addressed and believe it is critical that the FASB's role be robustly defined and goes beyond "providing input", "assisting" and "participating". Rather, specific mechanisms should be explored, such as a more explicit relationship between the U.S. members of the IASB and the FASB or endorsements of IASB Exposure Drafts providing detailed feedback by the FASB on how their views were addressed.

If you have any questions, please contact me at (425) 703-6094.

Sincerely,

Bob Laux
Senior Director, Financial Accounting and Reporting