ACCA

Chief Accountant
Securities and Exchange Commission
100 F Street
NE Washington
DC 20549-1090
United States of America

29 July 2011

Dear Sir

Exploring a possible method of incorporation of IFRS into the financial reporting system for US issuers

ACCA (Association of Chartered Certified Accountants) is pleased to have this opportunity to comment on the above SEC Staff Paper which was considered by ACCA's Financial Reporting Committee. I am writing to give you their views.

ACCA is an international body of professional accountants which represents 147,000 qualified members and supports them through a network of 82 offices around the world. We have wide experience of the implementation of IFRS in the UK, Europe and many other countries and our comments below reflect this experience.

Overall comments

The SEC, if they decided to adopt the approach set out in this paper, should make a clear commitment to a latest date by which US issuers following GAAP would also be able to claim compliance with IFRS as issued by IASB.

SEC should allow appropriate US issuers an immediate option to prepare financial statements using IFRS, in line with foreign issuers.

We set out below a number of observations on the disadvantages of having an extended convergence period and believe the proposed period of up to seven years should be reduced.

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Adoption of global standards

ACCA strongly supports the aim, endorsed by national governments through the G20, of achieving a single set of global accounting standards. We believe that the adoption of common standards is consistent with the trend of globalisation in business and commerce and will facilitate international trade and the transfer of skills. We set out these out in more detail in our submission to the SEC of April 2009

Whichever method is eventually adopted for the incorporation of IFRS into SEC requirements, we believe there should be a date, within a reasonable timeframe, when the ultimate objective (in the second paragraph on page 7) of having the standards used by US companies being the same as IFRS as issued by IASB.

In our view there should be an immediate option for some US issuers to prepare IFRS accounts rather than in compliance with GAAP. This could either be a general option or might be restricted to those internationally focused companies who are in sectors where the majority of businesses with which investors are likely to be making comparisons are using IFRS. This would be comparable and consistent in principle with the SEC's current allowance for foreign registrants to provide IFRS financial information for their US investors.

Endorsement framework

We are in general agreement with the proposals in this area for the continuing involvement of FASB and SEC. We agree that the SEC should be entitled to retain the ultimate power to add or amend standards, albeit this should be limited to very exceptional circumstances. We note that most jurisdictions follow a similar line.

FASB should aim to adopt unchanged and in a timely way new standards issued by the IASB. On page 10 there are three ways identified in which FASB might adjust IFRS – adding disclosure items, limiting any options and adding or retaining guidance on issues not covered by IFRS. Likewise page 12 envisages additional SEC guidance. We note that, in Australia, some of these adjustments were considered by the national standard setter but in the end were not pursued.

While these sort of adjustments are possible, we believe this should be the exception rather than normal and it is important that FASB should aim to persuade IASB to amend IFRS rather than to make specific US adjustments. The key factor which should guide the involvement of FASB in respect of amendments and adjustments should be that, at all times, US companies should be able to claim compliance with IFRS as issued by the IASB. This is also of course the current SEC requirement for foreign registrants. Adopting this guiding aim should ensure

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maximum comparability between US issuers and all other IFRS preparers, whether SEC registered or not.

We very much agree with the role of US constituents proposed on page 13.

Transition element

The transitional arrangements proposed under the new approach would seem to involve replacing existing sections of US GAAP with the equivalent IFRS on a piecemeal basis over a period of 5 to 7 years. We believe that the SEC and FASB should try to reduce this period.

The transitional approach would reduce comparability by having an extended period when the accounting treatments may be subject to constant change and when combined with the prospective application of some of these changes – US preparers in comparison to IFRS preparers and between periods for US GAAP financial statements.

It would also create greater complexity for preparers of GAAP financial statements because it would rely on withdrawing parts of GAAP and replacing them with the equivalent IFRS. The coherence and quality of the standards may also be impaired by unforeseen consequences and incompatibilities that might arise during this transition. The experience of the UK Accounting Standards Board in this regard is, we submit, relevant – it initially embarked on a bit-by-bit programme of replacement of UK GAAP but then abandoned that approach because of the resulting complexity, in favour of a 'big bang' solution.

We believe that the experience of most comparable cases is that preparers and investors prefer the 'big bang' approach.

We are also concerned that applying different transitional arrangements special to the US, and ignoring the requirements of IFRS1, risks the resulting financial statements not being able to claim compliance with IFRS as issued by IASB in the foreseeable future, even after the apparent transitional period had ended.

If there are any matters arising from the above that require further clarification or you would like to discuss further, please contact me.

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