

To: The Securities and Exchange Commission

Re: [RELEASE NOS. 33-8818; 34-55998; INTERNATIONAL SERIES RELEASE NO.

1302; File No. S7-13-07]

RIN 3235-AJ90

**ACCEPTANCE FROM FOREIGN PRIVATE ISSUERS OF FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS WITHOUT RECONCILIATION TO U.S. GAAP**

As both a private U.S. investor and a current accounting student, I am grateful for the opportunity to comment on this proposed rule. The proposal has great merit, although some caution might be suggested in terms of overall US investor preparation in reading and understanding IFRS.

Having benefited from a university course specific to international accounting and having worked with international accountants to some extent, I believe that getting the US to agree on harmonized accounting practices with the rest of the world would result in several advantages to both U.S. investors and the international community:

- a) Investors in the U.S. will be able to broaden their equity universe because more foreign financials will be comparable enough to US GAAP to be understandable;
- b) Foreign investors will be able to raise more capital and gain U.S. investors for the same reasons, and spend less money in the process;
- c) Companies maintaining operations in many countries should find it easier to prepare their consolidated financials and manage global finances since so many of their subsidiaries would already be using the parent accounting system or one very similar; and
- d) Accountants and auditors would be able to more easily work within 'foreign' accounting systems.

I feel this last item is becoming increasingly important, as the Internet and technology are rapidly connecting international employees together, and those who (like me) work with accountants and management from different countries would find our jobs eased by mutual familiarity with the basic rules. As a result, any move that aids the goal of convergence/harmonization is commendable.

Also, much of the rest of the world appears to be as comfortable with IFRS as with U.S. GAAP. Consider the case of the London Stock Exchange, which accepts both and does not require the U.S. GAAP reports to be reconciled with IFRS. In fact, a study based on Germany's New Market (which required one or the other) as far back as 2001 showed little evidence that information asymmetries are caused by using IFRS instead of U.S. GAAP. The conclusion of the study – and this was even before the various IFRS revisions between 2002 and 2005 – was that the findings “did not support claims that

U.S. GAAP produce(d) financial statements of higher informational quality than do IAS” (Leuz, 2001).

A second question I would like to address is the extent to which investors such as myself would be prepared to read and use IFRS financial statements.

Now that I have been introduced to IFRS, I would be comfortable investing in a company based on IFRS financials. However, the course that has given me this confidence is not required for graduation, and IFRS has received very little attention in any of my other college courses.

I also checked my favorite investment website to see how the stock screening tools would be affected, and concluded that some commonly used metrics, such as Net Income or ROI, could be affected by the differences between U.S. GAAP and IFRS, and not return comparable results for all companies. I rely on these tools quite heavily when choosing stocks and would not wish to make an error in judgment simply because of the difference in accounting systems.

Since I believe this Proposal is an important step towards the goal of harmonization, I suggest that the SEC consider the state of education and investor access to information about IFRS. Will literature be available and advertised to help investors understand IFRS financials? Will the overall University system be encouraged to consider introducing IFRS at an earlier stage in undergraduate courses? Will investment-related businesses with stock- and mutual-fund-oriented websites be encouraged to help investors become comfortable with IFRS financials (ex: Morningstar, MSN Money), and to warn users how screening tools will be affected?

In conclusion, the SEC’s proposal is an excellent step, because it will help overall acceptance of IFRS, or at least a harmonized set of rules in the future. But ensuring US investors are introduced to the concept of IFRS will help keep us from turning away from unfamiliar financials, or from making poor decisions based on incorrect assumptions.

Sincerely,

Jane Soper  
Jacksonville, Florida

*Reference:*

*Leuz, Christian. 2001. “IAS versus U.S. GAAP: Information Asymmetry - Based Evidence from Germany’s New Market”. Journal of Accounting Research, Vol. 41, No. 3. June 2003.*