

## **Fund For Stockowners Rights**

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**Re: Concept 33-8831A**

**Dear SEC Commissioners:**

**This concept should not be adopted.**

**It is even worse than the idea of allowing International Financial Reporting Standards for only foreign firms trading on U. S. exchanges.**

**It is worse because it would expand the inferior system to the approximately 12,000 publicly-traded American corporations.**

**It would be worse because it would induce other non-publicly traded stock corporations do the same.**

**It would continue infecting the hundreds of thousands of mutual benefit corporations, nonprofit charitable corporations, religious corporations, and unincorporated entities. Inferior accounting would drive out the good.**

**American GAAP is not broken. It can't be fixed by adopting something less. Here are particulars.**

**1. Generally-Accepted Accounting Principles are far superior to the second-rate so-called International Financial Reporting Standards. GAAP provides far clearer discussion and handling of the numerous types of transactions, events, and other considerations than IFRS does. IFRS has about 2000 pages of regulations. GAAP about 2000 multi-page pronouncements in depth, giving good guidance and predictability to the preparer and the reader.**

**2. GAAP is predicated on American commercial law. IFRS is not. I don't know what law it is connected to. Is it British? Is it German? Is it Albanian? Is it Nigerian? Is it Islamic law? Each country has its own version of the rights and obligations of property ownership which is reflected in accounting principles. The name "international" does not really give any clue as to the IFRS actual basis, since**

the term “international” could mean most anything involving more than one of the 180 countries of the world.

3. IFRS is sometimes promoted as a simple statement of principles to be used by preparers and their auditors, so they won't be burdened with detailed requirements. Unfortunately, because many of these principals are very vague, the preparers are given wide latitude in interpretation of reporting, and auditors have little to go on about material items. The result is a mish-mash of reporting on an inconsistent basis among firms, and a temptation by auditors to throw up their hands and agree to most anything. This certainly vitiates the public's reliance on auditor opinions, especially those of foreign auditors.

4. IFRS is promoted by foreign countries to be traded on U. S. stock exchange without issuing financial reports that comply with GAAP. We don't owe any duty to any foreign company. We owe duties to the American investing public.

5. IFRS is promoted by U. S. stock exchanges. We don't owe stock exchanges and brokers any favors. We owe duties to the American investing public. Stock exchanges are run to make income for their owners. The management of the New York Stock Exchange let the Grasso pay scandal to proceed, and it took the intervention of Attorney General Eliot Spitzer to inject the public's interest of running that mutual benefit corporation. Now we see the Nasdaq has put itself up for foreign ownership by accepting the 20% stake from the Persian Gulf state of Dubai which runs by Islamic law. You may remember the major attempt by stock exchanges in the mid-1990s to change their rules to allow foreign companies to be listed without providing GAAP statements. A major battle resulted in a victory for the American investing public because the SEC did not allow those rules.

6. IFRS is being promoted by stock brokers for obvious reasons. All trades make them income. Brokers are legendary for making recommendations to buy 80+% of all stocks.

7. How can net income of \$102 million by a foreign firm under foreign rules be actually a \$579 million loss under GAAP? This is a very instructive example of pernicious foreign accounting rules. This is the case of Daimler-Benz AG when in 1993 wanted to be traded in the U. S. and had to reveal its finances under GAAP. Listen to this explanation of German accounting from the enclosed news article from the September 18, 1993, Daily News: “[Chairman Edzard] Reuter acknowledged that his and other German companies had obscured operating losses or propped up gains in lean quarters by injecting income from the fat ones. Daimler enjoyed windfall profits in the 1980s and saved a portion of those earnings as reserves ‘for difficult times, and now we have such times,’ he said.” It seems that the matching principle is not alive and well in Germany.

8. A real practical problem is that IFRS is not taught in the business schools of the United States, including CPA programs. I doubt that there are any substantial Continuing Education courses given to CPAs on the subject. Does

**California require any such? How can financial statements under IFRS be either interpreted or explained to the American public by professionals who don't even know what they contain?**

**9. IFRS would cheapen the CPA cachet. IFRS is a dumbed down accounting system. Auditors of such a dumbed down accounting system would be presumed to need much less expertise than auditors who have mastered GAAP.**

**This effort by the SEC to overpower good accounting and disclosure policies is a disturbing intrusion of political motives against the public's interest. We have seen in the past the Financial Accounting Standards Board being politically assaulted on many issues, including the expensing of stock options. We need to land squarely on the side of the public's interest, the independence of FASB, and the integrity of the CPA profession.**

**“Dumb down” is not an improvement in public policy. It's an insult.**

**It only serves those who have something financially to hide.**

**Sincerely,**

**Carl Olson  
Chairman**