

November 12, 2007

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

By e-mail: rule-comments@sec.gov

**Re: Concept Release on Allowing U.S. Issuers to Prepare Financial Statements in
Accordance with International Financial Reporting Standards
(Release No. 33-8831; File No. S7-20-07)**

Dear Ms. Morris:

The New York State Society of Certified Public Accountants, representing 30,000 CPAs in public practice, industry, government and education, submits the following comments to you regarding the above captioned release. NYSSCPA thanks the SEC for the opportunity to comment.

The NYSSCPA's Financial Accounting Standards, International Accounting and Auditing, and SEC Practice Committees deliberated the release and drafted the attached comments. If you would like additional discussion with us, please contact Edward P. Ichart, chair of the Financial Accounting Standards Committee, at (516)-488-1200, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,



David A. Lifson
President

Attachment

**COMMENTS ON SEC RELEASE NO. 33-8831;
FILE NO. S7-20-07**

**CONCEPT RELEASE ON ALLOWING U.S. ISSUERS TO PREPARE FINANCIAL
STATEMENTS IN ACCORDANCE WITH INTERNATIONAL FINANCIAL
REPORTING STANDARDS**

November 12, 2007

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**NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS**

FINANCIAL ACCOUNTING STANDARDS COMMITTEE
INTERNATIONAL ACCOUNTING & AUDITING COMMITTEE
SEC PRACTICE COMMITTEE

COMMENTS ON SEC CONCEPT RELEASE No. 33-8831
*Allowing U.S. Issuers to Prepare Financial Statements in Accordance with
International Financial Reporting Standards*

General Comments

The Financial Accounting Standards Committee, the SEC Practice Committee, and the International Accounting & Auditing Committee of the New York State Society of Certified Public Accountants welcome the opportunity to comment on the SEC's Concept Release No. 33-8831, "*Allowing U.S. Issuers to Prepare Financial Statements in Accordance with International Financial Reporting Standards.*" This section summarizes our primary comments. Answers to specific questions raised in the Concept Release are presented below.

We fully support convergence between International Financial Reporting Standards (IFRS) and U.S. GAAP. We agree that the development of high quality global accounting standards is essential for the future health of international capital markets. We appreciate the SEC's commitment to continued progress in this area.

We note, however, that it is unclear when the convergence process will be completed, as well as the extent to which convergence will actually be achieved. We call your attention to the EU proposal which delays until 2011 the requirement for companies listed in Europe that are from countries such as the United States, Japan, Canada and China to prepare their financial statements in accordance with IFRS. It is widely acknowledged that this proposal will slow down the convergence process. As discussed below in our answers to specific questions, the adoption of the SEC's proposal to allow U.S. companies to prepare financial statements in accordance with IFRS would further impede convergence. As a result, we believe that the SEC's proposal to allow U.S. companies to prepare financial statements in accordance with IFRS is premature. The SEC should refrain from instituting the proposal and allow the convergence process to continue. We believe that in a few years there will be more convergence and at that point the prospects for further convergence will be more apparent.

We recognize that in our comment letter regarding SEC Release No. 33-8818, "Foreign Private Issuers of Financial Statements Prepared in Accordance With IFRS Without Reconciliation to U.S. GAAP," we stated that we saw no conceptual basis for permitting only foreign private issuers the option of using IFRS without reconciliation to U.S. GAAP. We noted that U.S. issuers would be disadvantaged if they were not allowed to follow IFRS, due to the greater flexibility allowed under IFRS. That being said, we

believe that the elimination of the reconciliation for foreign private issuers and the option of allowing U.S. issuers to use IFRS as promulgated by the IASB are both premature and should be deferred to a future date.

Significant differences with U.S. GAAP remain

As the SEC has already acknowledged in its recently proposed rule concerning acceptance of foreign private issuer financial statements without reconciliation to U.S. GAAP, convergence of IFRS and U.S. GAAP is far from complete and significant differences remain. From a broad perspective, IFRS and U.S. GAAP are different in that U.S. GAAP standards are more rules-based, while IFRS are more principles-based.

While both standards result in high-quality financial statements, investors are unable to compare financial position and operating results using different sets of standards. Comparability among companies is highly beneficial to users when evaluating potential investment opportunities.

The SEC has indicated that a limited group of sophisticated investors finds financial statements prepared in accordance with IFRS to be acceptable for its purposes. We question whether other, less sophisticated, U.S. capital market participants have the same degree of confidence in IFRS prepared financial statements and whether such financial statements would be acceptable for their purposes.

In many areas, IFRS lack detailed guidance which can result in varied and divergent accounting practices. In our response to SEC Comment Release No. 33-8818, we mentioned several areas where there are significant accounting differences between IFRS and U.S. GAAP. These include revenue recognition accounting where IFRS requirements are less detailed. We note that much of the guidance in U.S. GAAP regarding revenue recognition was developed in response to historic abuses. The use of IFRS for the preparation of U.S. issuer financial statements could open the door for such abuses to occur again. Such issues must be addressed before U.S. issuers are allowed to substitute IFRS for U.S. GAAP.

Requirement to use U.S. GAAP, or at least include a reconciliation, is a significant incentive for the convergence process

In our response to the SEC proposed rule concerning acceptance of foreign private issuer financial statements without reconciliation to U.S. GAAP, we reminded the SEC that the current requirement to reconcile foreign financial statements to U.S. GAAP is a significant incentive to continue the convergence process. We further believe that the use of IFRS by U.S. issuers would provide similar disincentive to continuing the convergence process. We are concerned that providing the IFRS option may stifle the convergence process and render pronouncements by U.S. standards setters less relevant in the international community.

Allowing U.S. issuer IFRS financial statements would result in differing GAAP for U.S. public issuers versus that used by U.S. privately held businesses and other entities

The U.S., both currently and historically, has mandated substantially the same GAAP (with very few differences) for use by publicly traded and privately held companies. From time to time, there have been proposals for differing accounting frameworks for private and public companies. These proposals have been considered, but not adopted, due to concerns about users understanding the differences between two sets of GAAP. Permitting the use of IFRS as well as U.S. GAAP may be confusing to users throughout the capital markets.

If U.S. issuers are permitted to prepare financial statements in accordance with IFRS, we are concerned about the possibility of a “trickle down” effect to private companies, where the use of IFRS may not be as well understood. We have already witnessed analogous situations with respect to the standards promulgated by the PCAOB and legislators’ desires to expand the use of Sarbanes-Oxley type requirements to non-profit organizations which are neither well-prepared nor appropriately capitalized to handle the implementation of such requirements. Pressure for private companies to implement IFRS could come from other regulators, creditor banks or the companies themselves long before the companies are prepared to implement IFRS appropriately. It should be noted that current AICPA professional standards would accommodate such use of IFRS. The SEC must recognize that its actions can be highly influential in the private company arena.

SEC tabulated IFRS filers increase may not suggest that shift to IFRS is needed

The information in Footnote 10 to this SEC Concept Release emphasizes that the population of IASB/IFRS SEC filers has grown to 110 in 2006 from relatively few in 2005. However, the statistics presented show that 70 companies used non-IASB/IFRS and 50 companies used U.S. GAAP. Therefore, 120 companies out of 230 companies did not use IASB/IFRS, or more than 50%.

Inconsistencies in application around the world

The SEC should carefully consider consistency of IFRS in use around the world before going forward with allowing U.S. issuers to prepare financial statements in accordance with IFRS. As principles-based standards, IFRS allow for options in accounting treatment. As a result, interpretations of IFRS around the world vary and are often influenced by individual country’s previous local GAAP and regional industry practices. This occurs even when preparers and regulators insist that they are only following IASB/IFRS

We are concerned that U.S. investors may not be fully aware of or understand inconsistencies in application of IFRS around the world. Without any type of reconciliation between IFRS and U.S. GAAP, this will place an undue burden on the U.S. investing public. We expect that IFRS prepared financial statements will become more consistent in the future, as international standards continue to develop and as preparers

and auditors gain more experience in their application. Until such time, U.S. issuers should be required to file financial statements prepared in accordance with U.S. GAAP.

Matters on Which Specific Comments Were Requested

Q5. What immediate, short-term or long-term incentives would a U.S. issuer have to prepare IFRS financial statements?

Issuers would have the incentive and the opportunity to manage earnings under IFRS and its principles-based approach, particularly with respect to revenue recognition. Some issuers may believe that there is greater investor demand for them to prepare IFRS financial statements if they perceive that there was more potential investment capital available from foreign sources than from sources in the U.S. or if they perceive that their major competitors were foreign companies and that potential investors would welcome the greater comparability.

Q6. What immediate, short-term or long-term barriers would a U.S. issuer encounter in seeking to prepare IFRS financial statements? For example, would the U.S. issuer's other regulatory (e.g., banking, insurance, taxation) or contractual (e.g., loan covenants) financial reporting requirements present a barrier to moving to IFRS, and if so, to what degree?

Certain issuers, like those in the banking industry may have to continue following U.S. GAAP for regulatory purposes (i.e., bank "Call Reports"). Under the Federal Deposit Insurance Corporation Improvement Act of 1991, regulatory accounting is required to be "no less stringent" than U.S. GAAP. Consequently, even if federal bank regulators wish to accept IFRS in Call Reports, they may not be able to do so without a change in law. Given the option, regulators would have to determine whether they are comfortable with allowing two sets of accounting standards when comparability between institutions is an important supervisory tool (i.e., identifying outliers against their peers).

Q9. Would giving U.S. issuers the opportunity to report in accordance with IFRS affect the standard setting role of FASB? If so, why? If no, why not? What effect might there be on the development of U.S. GAAP?

We suggest that the use of IFRS by U.S. issuers will marginalize U.S. GAAP and the role of FASB. We do not believe, however, that this was the intent of the Norwalk Agreement which anticipated a much more collaborative approach. It is possible that, over time, acceptance of IFRS could result in the demise of the FASB as more companies migrate to the more flexible standards of IFRS

We further believe that there is significant potential for the bifurcation of accounting requirements between publicly traded and privately held companies, well beyond the disclosure requirements currently being addressed by the FASB. We strongly oppose a move that will encourage such bifurcation within the U.S.

Q12. If IFRS financial statements were to be accepted from U.S. issuers and subsequently the IASB and the FASB were to reach substantially different conclusions in the convergence projects, what actions, if any, would the Commission need to take?

If the conclusions reached were substantially different, then the SEC would need to require issuers to provide reconciliations between IFRS and U.S. GAAP and suitable footnote disclosures. In addition, the SEC would be obligated to provide its own conclusions regarding its preferred accounting treatments. This could create additional confusion and possibly give rise to “SEC Required Accounting Principles.”

Q18. What are the incentives and barriers to adapting training curricula for experienced professionals to address both IFRS and U.S. GAAP? Separate from ongoing training, how long might it take for a transition to occur? How much would it cost?

An overall effective transition would take a minimum of five years. Educating experienced and new U.S. accountants in both IFRS and U.S. GAAP will be a massive undertaking that has not significantly begun in earnest.

We note that courses on IFRS have only recently started to become readily available in the U.S. and that more will become available as the market demands. We caution that building an appropriate knowledge base in IFRS would not be a quick process for a practitioner to become proficient in its use.

Q19. What are the incentives and barriers relevant to the college and university education system’s ability to prepare its students for a U.S. public capital market in which U.S. issuers might report under IFRS? What are the incentives and barriers relevant to changing the content of the Uniform CPA Examination? How should the Commissions address these incentives and barriers, if at all?

Accounting programs in many U.S. universities and colleges have traditionally focused on preparing students to qualify for and successfully complete the Uniform CPA Examination. Until this point, most programs have not included significant coursework on IFRS since this knowledge is not currently required for the CPA exam. In order to prepare students for testing on IFRS, accounting program curriculums would need to be drastically revamped at a time in which many programs are already struggling to determine the appropriate coursework to fulfill the 150 hour requirement mandated by many states in order to sit for the CPA exam. While the CPA exam is a nationally determined and administered exam, CPA licensing requirements are delegated to individual states which could impede a smooth transition to the necessary changes with respect to IFRS.

Q23. Would audit firms be willing to provide audit services to U.S. issuers who prepare their financial statements in accordance with IFRS? How, if at all, would

allowing U.S. issuers to prepare IFRS financial statements affect the current relative market share of audit firms?

Smaller independent registered public accounting firms may not be comfortable with opining on IFRS financial statements. Immediate availability of IFRS financial statements as an alternative to GAAP may represent near term difficulties for personnel at such firms and the middle market issuers they serve. This might unfairly hurt qualified firms who now service many of these issuers. These firms may face significant training costs and will need ample training time to familiarize themselves with the requirements of IFRS. In lieu of appropriate training, we caution that smaller independent registered public accounting firms may inappropriately be willing to accept IFRS engagements when they are not capable of doing so, thereby subjecting both the investing public and the auditor to a higher risk of audit failure. Even the large independent registered public accounting firms may feel pressured to accept IFRS engagements that would challenge their available expertise to a far greater extent than in the case of their U.S. GAAP engagements.

Allowing U.S. companies to follow IFRS will likely result in an ever greater concentration of audits being performed by “Big Four” public accounting firms. This raises another red flag regarding adopting such a proposal in the near future.

Q24. What factors, if any, might lead to concern about quality of audits of IFRS financial statements of U.S. issuers?

Differences between IFRS and GAAP could be time consuming to evaluate. The auditors may not be familiar enough with these differences which could result in undetected misapplication of IFRS.

Q25. Would any amendments or additions to auditing and other assurance standards be necessary if U.S. issuers were allowed to prepare IFRS financial statements?

PCAOB interim standards (AU § 534) currently require that audit reports on financial statements prepared in accordance with foreign accounting standards include language rendering a qualified or adverse opinion regarding the financial statements’ conformity with U.S. GAAP. Such language includes (1) discussion of all material differences between IFRS and U.S. GAAP that applied to the particular financial statements, (2) quantification of all those differences to the extent determined and (3) any disclosures required by US GAAP that were not required under IFRS to the extent known to the auditor. A modification to the auditing standards would be needed to permit an unqualified opinion on IFRS financial statements with either no mention of U.S. GAAP or a simple statement that the financial statements were not intended to portray financial position, results of operations or cash flows in accordance with U.S. GAAP.

Other sections of the interim auditing standards that are in particular need of consideration of their application to the audit of financial statements prepared in accordance with IFRS are AU § 341 regarding the ability to continue as a going concern (possible financial statement effects and disclosures), AU § 420 regarding consistency in the application of GAAP and AU § 431 regarding adequacy of disclosure.

It would also be very useful for the AICPA to include IFRS guidance for the specific industries covered by its Audit and Accounting Guides.

Q27. Do you think that the information sharing infrastructure among securities regulators through both multilateral and bilateral platforms will improve securities regulators' ability to identify and address inconsistent and inaccurate applications of IFRS?

An information infrastructure among securities regulators is a necessary mechanism to enhance global consistency. We see one of the biggest difficulties with requiring the use of IFRS as published by the IASB is that there will still be differences of opinion among regulators in the application of IFRS as published by the IASB to particular issues. In some cases this will result in a number of entities filing their financial statements in two jurisdictions having to prepare their financial statements under two methods and certify in both cases that they are in accordance with IFRS as published by the IASB. In general, it could lead to confusion among investors and impair comparability. It is particularly important to attempt to minimize instances where one regulator requires a restatement of IFRS financial statements and another will not accept the restatement, believing the original treatment to be the correct interpretation.

We believe it would be appropriate, in cases where a securities (or for that matter, other) regulator needs to state a view on an IFRS accounting issue, to refer such issue to the IASB or IFRIC, particularly when there are conflicts among regulators. Part of the infrastructure should be to have all such matters so referred. We do not believe, however, that it would always be appropriate for the IASB or IFRIC to address these issues because it could impair the "principles based" concept underlying IFRS if authoritative guidance became too detailed.

Q31. When would investors be ready to operate in a U.S. public capital market environment that allows the use of either IFRS or U.S. GAAP by U.S. issuers? When would auditors be ready? How about those with other supporting roles in the U.S. public capital market (e.g., underwriters, actuaries, valuation specialists, and so forth)? Is this conclusion affected by the amount of exposure to IFRS as it is being applied in practice by non-U.S. issuers?

With respect to auditors, please refer to our answer to question 18.