

April 15, 2009

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Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090

COMMENTS ON THE ROADMAP FOR THE POTENTIAL USE OF FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS BY U.S. ISSUERS

Ms Murphy,

Thank you for giving me the opportunity to comment on this important topic. As a student in a graduate accounting program (Msc. Accounting), I am delighted to have an input in the discussion. I am responding because I believe that the convergence project that is going on should be allowed to run its course. Listed below are some of my thoughts on this topic.

Do commenter's agree that U.S. investors, U.S. issuers and U.S. markets would benefit from the development and use of a single set of globally accepted accounting standards? Why or why not?

U.S. investors, U.S. issuers and U.S. markets would benefit from the development and use of globally accepted accounting standards. Having one set of standards will allow for relevance and comparability globally. Developing a comprehensive and integrated codification of all existing accounting literature organized by subject matter that would become an easily retrievable single source for all Generally Accepted Accounting Principles (GAAP) would provide a useful roadmap to identifying those areas that need simplification.¹ Herz has claimed that a Principles-Based system would lead to standards that would be less than 12 pages long, instead of over 100 pages (Business Week online, 2002). Principles would be easier to comprehend and apply to a broad range of transactions.

A single set of globally accepted accounting standards would be welcomed globally as it is more likely to result in transactions that reflect true business economic substance. Growing interest in the global acceptance of a single set of robust accounting standards comes from all participants in the capital markets. Many multinational and national regulators and users support it because they believe that the use of common standards in the preparation of public company financial statements will make it easier to compare the financial results of reporting entities from different countries. They believe it will help investors understand opportunities better. Large public companies with subsidiaries in multiple jurisdictions would be able to use one accounting language company-wide and present their financial statements in the same language as their competitors. Also some believe that in a truly global economy, financial professionals including CPAs will be

¹ Herz-FASB 12/06/05.

more mobile, and companies will more easily be able to respond to the human capital needs of their subsidiaries around the world²

What are the commenter's views on the potential for IFRS as issued by the IASB as the single set of globally accepted accounting standards?

The growing acceptance of International Financial Reporting Standards [IFRS] as a basis for U.S. financial reporting represents fundamental change for the U.S. accounting profession. Today, the globalization of business and finance has led more than 12,000 companies in almost a hundred countries to adopt IFRS. The U.S. Securities and Exchange Commission [SEC] has for many years been a strong leader in international efforts to develop a core set of accounting standards that could serve as a framework for financial reporting in cross-border offerings.³

Conversely, there are potential drawbacks to a single set of globally accepted accounting standards. Some U.S. accountants seem to prefer the U.S. GAAP, possibly because of their concerns about the potential of litigation over their exercise of judgments in the absence of bright-lines rules but as Harvey Pitt, former SEC chairman, explained it, "because standards are developed based on rules... they are insufficiently flexible to accommodate future developments in the marketplace. This has resulted in accounting for unanticipated transactions that is less transparent"⁴

Moving to a single set of globally accepted accounting standards requires greater IASB accountability and a more stable funding process. The technical capability to communicate financial information in the XBRL computer language based on coding terms specified in a "taxonomy" would have to be available. Also training of investors, preparers and auditors, IFRS would also need to become broadly incorporated into college and university curricula and into CPA and other relevant professional exams.⁵

Based on the steps necessary for a single set of globally accepted accounting standards, the Securities and Exchange Commission (SEC) will have to not only be certain that issuers, investors and markets are prepared for the change but also the effects on fraudulent financial reporting, since many argue that the U.S. GAAP is to be blamed in many instances for financial frauds that have occurred.

Do commenters agree that these matters would affect market participants in the United States as described above? What other matters may affect market participants? Are there other market participants that would be affected by the use by U.S. issuers of IFRS in their Commission filings? If so, who are they and how would they be affected?

² IFRS : An AICPA Backgrounder
www.ifrs.com

³ IFRS : An AICPA Backgrounder
www.ifrs.com

⁴ The CPA Journal. Defining Principles-Based Accounting Standards. Page 3
<http://www.nysscpa.org/printversions/cpai/2004/804/p34.htm>.

⁵ KPMG website : SEC to Propose Roadmap for Potential Mandatory IFRS Filings

Many people believe that U.S. GAAP is the gold standard, and something will be lost with full acceptance of IFRS. It is unlikely that all U.S. issuers will voluntarily elect to use IFRS. U.S. issuers without significant customers or operations outside the United States may not have a market incentive to prepare IFRS financial statements. Other U.S. issuers may use their financial statements as the basis for filings with other regulatory authorities that may require U.S. GAAP.

Another concern is that worldwide, many countries that claim to be converging to international standards may never get to 100 percent compliance. Most reserve the right to curve out selectively or modify standards they do not consider in their national interest, an action that could lead to incomparability - the very issue that IFRS seek to address.

Also, the impact will be far beyond financial reports but it will also affect almost every aspect of a U.S. company's operations, everything from its information technology systems, to its tax reporting requirements, to the way it tracks stock-based compensation.⁶

Would a requirement that U.S. issuers file financial statements prepared in accordance with IFRS have any effect on audit quality, the availability of audit services, or concentration of market share among certain audit firms (such as firms with existing international networks)? Would such a requirement affect the competitive position of some audit firms? If the competitiveness of some firms would be adversely affected, would these effects be disproportionately felt by firms other than the largest firms?

Although, financial professionals including CPAs will be more mobile, companies will easily be able to respond to the human capital needs of their subsidiaries around the world. Accountants in the United States are concerned about the potential of litigation over their exercise of judgments in the absence of bright-line rules. If the Congress and SEC can work on the litigation reforms whereby CPA firms are allowed to make decisions that will reduce the possibility of a lawsuit, the professionalism of financial reporting will be enhanced.

What steps should the Commission and others take in order to determine whether U.S. investors, U.S. issuers, and other market participants are ready to transition to IFRS? How should the Commission measure the progress of U.S. investors, U.S. issuers, and other market participants in this area? What specific factors should the Commission consider?

Despite my beliefs and concerns for a single set of globally accepted accounting standards stated above, the SEC should involve the investors, issuers and other market participants.

⁶ IFRS : An AICPA Backgrounder - Two sides of the story
www.ifrs.com

Conclusion

The Commission is doing a lot which includes the opportunity to have our comments sent in but more still needs to be done. The Commission should get across to both sophisticated users and non-sophisticated users of financial statements by the use of questionnaires. Lecturers of accounting can also make every accounting student write their view on the convergence. A lot of time and money have been put into the convergence program and it should be allowed to run its course. Though, there is still a lot to be done but I believe that preparing financial statements in accordance with the International Financial Reporting Standards will increase consistency.

Thank you for your consideration.

Yours faithfully,

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