

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

Do commenters 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?

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

Although I believe that high quality standards are of course best, I have yet to be persuaded that the IFRS standards are in fact better than those under US GAAP. Although comparability of financial statements is one measure of quality, other measures include the set of standards that are going to best predict future cash flows. I do not believe that sufficient research has been conducted to conclude that international standards are superior to US standards. As an example, in recent years, the US has adopted more and more rules on revenue recognition, the area where there are the largest number of frauds in the financial statements. My impression is that those rules have arisen because of corporate abuse and fraud. I hope that the SEC would evaluate IFRS to ensure that frauds will not be more likely under IFRS. I don't want to see the US abandon IFRS because financial reporting misconduct is blamed on it.

The Commission cites comparability as a primary objection of adopting IFRS. Historically, Congress and even the SEC have not been able to refrain from intervening in standard setting. One need only to recall the history of oil and gas accounting, stock options, and Staff Accounting Bulletin 101 to see examples where the work designated to the FASB was influenced by Washington. In recent months, we have seen a lot of politics on the issue of fair value. I am pessimistic that the International Standard setters can be left alone to do their job. Thus, our society might go through considerable transition costs and still not have a common set of global accounting standards. Before going forward with the roadmap, I would like some "controls" in place to ensure that adoption of IFRS would lead to a common set of standards and not be influenced by political considerations.

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?

I am not sure where this comment goes: I do not see how we will have comparability of accounting standards if portions of our society adopt IFRS and others do not. During a phased transition period there will certainly be a lack of comparability. I can also imagine large transition costs with IFRS and believe that small business corporate America will oppose it with the zeal that they have opposed SOX 404. If the Commission has not had the will to ask small businesses to adopt 404, I think the Commission should ask if it will also be willing to ask small business to adopt IFRS.

As a larger policy issue possibly beyond the Commission but one that should be discussed is whether IFRS will eventually become the accounting standard of the land. What will happen to non-issuers? Will there be comparability for capital allocation between public and non public companies who report on different accounting standards? I think it would be useful to have that discussion before the Commission moves too far along on this project. This has enormous implications for small practice CPAs and small business owners. I would recommend Congressional hearings on these issues before the Commission moves forward because of the enormous implications of having two sets of accounting standards.

As an educator, I think it is a bad thing to have two sets of accounting standards within the US so I think the topic of non-issuers and issuers has to be considered by Congress. Accounting and auditing are complex enough. We already have an expectations gap where investors don't understand what auditors do. I think adding a different layer of accounting standards separate from what others do (in the long run) is bad policy.

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?

My biggest concern with IFRS and the audit firms relates to litigation exposure. My understanding is that litigation in Europe is not based on as many safe harbors and that juries are more sympathetic to judgment decisions. Thus, Europe has an accounting system where there is more flexibility and principles based judgment and does not subject the firms to significant litigation risk. In the US, I tend to think that these rules have evolved because of some type of economic Darwinism and we had to have them for survival. Thus, my impression of the world is that CPA firms have used the rules in litigation when questions have been made about accounting judgments before juries. Juries understand when rules have been followed.

Litigation under a system with more judgment will have many more cases with questions about the judgments of the CPAs. Invariably, this will result in more awards because our system is set up to question judgments. Unless the US adopts some type of litigation reform, I think any broad set of standards that may allow considerable more principles, without limits to litigation, or at least some careful monitoring of it, could put one of the major CPA firms in jeopardy. One need only look at the recent GAO reports to see the market angst at losing another big four firm.

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?

I would recommend that the commission survey each registrant and ask them if they fully understand the implications and costs of transition. Included in that survey should be many questions about how ready that registrant is and whether they really want it, what transition issues it will impose, etc. A reason cited for switching is lower cost for companies that operate internationally. Does the commission know that this will reduce costs? Another group the commission might also talk to are investor groups to see if they prefer IFRS. The groups I have heard most in favor of switching are accounting groups. I do not know if investor groups are as enthusiastic.

Thank you for allowing me to comment on my concerns about IFRS. Despite my concerns mentioned here, I do believe there are potential merits in the adoption of IFRS if the concerns can be addressed.