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Ms. Nancy M. Morris
Federal Advisory Committee Management Officer
United States Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

RE: Progress Report of the SEC Advisory Committee on Improvements to Financial Reporting, Release Nos. 33-8896; 34-57331; File No. 265-24

Dear Ms. Morris:

PricewaterhouseCoopers LLP appreciates the opportunity to respond to the request for comment on the Progress Report of the SEC Advisory Committee on Improvements to Financial Reporting (the "Progress Report"), published on February 14, 2008.

A key element of the competitiveness of the US capital markets is the ability of preparers to communicate effectively with investors[1] through financial reporting. Unnecessary complexity[2] in the current US financial reporting system has generally diminished the effectiveness and efficiency of that communication. In order for US capital markets to maintain their competitiveness in a global environment, in which non-US markets are attracting an increasing share of investor funds, US financial reporting must evolve to reflect the globalization of capital markets and financial reporting. Our responses to the SEC's Advisory Committee on Improvements to Financial Reporting (the "Committee") recommendations and concepts have been formulated under an overarching tenet that financial reporting in the US will eventually be based on a single set of high-quality, principles-based global accounting standards and that those standards will be International Financial Reporting Standards (IFRS).

There is no quick or easy way to remodel the US financial reporting system. However, we have identified several enhancements that will provide short-term benefits, while remaining consistent with the long-term strategy described above. We believe that the following four objectives offer the most potential for improvements to US financial reporting in the short term:

- Clarify the process of assessing materiality and revise the methods for reporting errors to reduce restatements that are not useful to investors

1 In this letter, the terms "investors" and "reasonable investors" refer to investors and other users of financial information with the requisite knowledge and experience to understand the information being provided within an appropriate context.

2 In this letter, the concept of "unnecessary complexity" is synonymous with "avoidable complexity" as described in the Progress Report.

- Increase the use of professional judgment and enhance the quality of disclosures of the most significant accounting and reporting judgments so that investors are fully exposed to the elements of those judgments and their impact on the financial statements
- Employ more principles-based standards to facilitate clearer, more robust, and comparable reporting of the economic realities of transactions
- Establish a rational framework for when and how fair value accounting should be applied and reported

Our view that the US will ultimately move to IFRS is premised on the expectation of continuing improvement and evolution of those standards, based on the standard setters' existing plans to enhance IFRS. Therefore, as the Committee deliberates and develops its positions and perspectives, we suggest that it consider the following factors in finalizing its recommendations:

- Whether they will facilitate the transition to a single set of high-quality global accounting standards
- Whether they can be accomplished as a result of transitioning to such global standards
- Whether they will provide interim benefits, but become irrelevant upon transition to global standards

We have organized our comments on specific proposals and perspectives in the Progress Report by key topic, as follows:

- Materiality
- Professional judgment
- Principles-based standards
- Fair value measurement and reporting
- Standard-setting process
- SEC-related recommendations
- XBRL: Business information for the internet

Materiality

We believe that the following three key themes underlie materiality and error correction guidance:

1. All errors need to be corrected, but not all error corrections should result in a restatement.
2. The materiality of an error should be evaluated from the perspective of a reasonable investor and should consider all relevant facts and circumstances.
3. Transparent disclosures are essential to communicating material errors to investors.

The SEC's current staff guidance for materiality assessments, SAB 99, offers a number of examples outlining how to assess materiality. In our experience applying this guidance to accounting errors, we have observed instances in which an amount that might appear meaningful based solely on quantitative metrics is unimportant to a reasonable investor when viewed within the context of all relevant facts and circumstances. Likewise, we have observed instances in which an amount that might appear meaningless based on quantitative metrics is important to a reasonable investor, given the relevant facts and circumstances. Accordingly, we believe that materiality assessments must be made with the benefit of (and in the context of) all available information. For this reason, we agree with the Committee's recommendation for the SEC to clarify its guidance that materiality should be judged based on how the error impacts the total mix of information from the perspective of a reasonable investor making an investment decision.

In the spirit of improving communication among interested parties, we agree with the Committee's recommendation that the SEC conduct sessions both internally and with preparers and auditors to (1) raise awareness of these issues and (2) reduce the uncertainty of materiality judgments by promoting a more consistent application of the concept of materiality. Also, we encourage the Commission to consider extending this program to investors, securities counsel, and other financial statement users, as they too would benefit from a deeper awareness of materiality judgments. These sessions should reflect the three key themes of materiality and error correction guidance outlined above.

Correction and Disclosure of an Error

All accounting errors need to be corrected in order for a company's underlying financial records to be complete for the purposes of ongoing bookkeeping. However, not all error corrections should result in a restatement of previously issued financial statements. We agree with the Committee's view that there are two separate and distinct steps in addressing errors in financial reporting as follows:

- In determining whether an error is important to an investor, all relevant facts and circumstances should be considered from the perspective of a reasonable investor who has relied on the previously issued financial statements to make an investment decision.
- The method used to correct and disclose the correction of an error should be based on the relevant facts and circumstances as they relate to current investors.

Accordingly, we generally agree with the Committee's proposals on the correction and disclosure of an error. However, we believe the Committee should

- Clarify its position regarding application of the "dual method" under SAB 108 and explicitly request that the SEC staff amend SAB 108 so that the "iron curtain" method of quantifying errors is only applied to previously unissued financial statements
- Suggest that the SEC address how out-of-period errors should be corrected when they will not be reflected through a restatement of the prior periods.

All investors (both current and past) should receive transparent and complete information regarding a material error, regardless of how an issuer corrects the error. However, existing accounting and auditing literature does not separate the determination of the importance of an error from the method used to correct that error. For this reason, existing literature needs to be revised to properly distinguish between these two concepts described above.

The Committee also suggested that there may not be a need to amend previously filed annual or interim reports to reflect restated financial statements, if the next annual or interim period report will be filed in the near future and will contain all of the relevant information. The Committee should clarify that this suggestion applies to correcting the misstated financial statements when they are presented for comparative purposes in the current filing only.

Errors Related to Interim Periods

We agree with the Committee that an interim period represents part of a larger mix of information available to a reasonable investor—not simply a discrete period that is separate and distinct from annual and other publicly available information. To assess the materiality of an error within an interim period, robust qualitative analysis should be performed on the error. This analysis should take into account how a reasonable investor would use the related interim financial statements to make investment decisions.

We agree with the Committee's following statements on errors related to interim periods:

- If an error in a previously issued interim period is material to the interim period, it should be restated for that interim period.

- If that same error proves immaterial to the previously issued annual period, then a restatement of the previously issued annual period may not be necessary.

These recommendations, however, could result in a mathematical disconnect between the interim period and the annual period. Therefore, we encourage the Committee to clarify that disclosure in the preparer's next Form 10-K should clearly explain this disconnect. We also encourage the SEC to allow registrants to revise the financial statements in subsequent filings so that financial information remains comparable.

Overall, the Committee's recommendations will benefit investors by improving the financial reporting process through both enhanced disclosure and a reduction of the number of restatements that the marketplace interprets as unimportant. These improvements will also reduce the costs incurred by preparers, auditors, and regulators in evaluating and processing unnecessary restatements, all of which are ultimately borne by investors.

Professional Judgment

A Framework for Applying Judgment on Accounting Matters

The Committee recommended the development of a framework for the exercise of professional judgment that would promote refinement in the application of judgment on accounting matters and encourage preparers to apply evaluation practices consistently. We agree with the proposed content of a framework for professional judgment and believe that the formal application of that framework by all preparers with regard to their most significant and critical accounting judgments will benefit investors by improving financial reporting. Benefits that investors and preparers will derive from broad use of the framework are an increase in the

- Quality of judgments and the quality of the documentation of those judgments
- Consistency of judgments
- Efficiency of auditing those judgments

To maximize improvements to the financial reporting system over the long term, the Committee's proposal should also focus on how preparers communicate judgments to users of the financial statements. Often, current financial statement disclosures of the most significant judgments and estimates underlying the financial statements are primarily a list of financial statement areas in which those judgments and estimates are used. To improve financial reporting, financial statement disclosures should be enhanced to increase the transparency of underlying estimates and assumptions in those financial statement areas and the way those estimates and assumptions impact reported amounts (i.e., disclosures about financial risks, the economic realities of transactions, and the most significant and volatile estimates and assumptions that impact a company's financial performance). Investors will benefit from greater insight into management's most critical judgments— those based on the outcome of future events that are inherently uncertain.

We suggest that the Commission issue guidance regarding use of the framework for applying professional judgment and enhanced disclosure. The guidance should take the form of a policy statement or an interpretive release to (1) clarify the SEC Staff's views on applying judgment in financial reporting, (2) institutionalize a change in the behavior of regulators that oversee the public company financial reporting process, and (3) provide the necessary incentive for preparers to employ the judgment framework and enhance their disclosures. This guidance must balance investors' need for greater insight with preparers' concerns about increased exposure to litigation in the event that disclosed estimates and assumptions are ultimately determined to be incorrect.

A Framework for Audit Judgments

The Committee recommended that the PCAOB develop a consistent framework to address audit judgments made in accordance with existing auditing standards. However, a framework for exercising judgments in an audit is already embedded in existing generally accepted auditing standards. Therefore, it is not necessary for the PCAOB to develop a separate complementary framework. However, we do believe that the PCAOB, in coordination with the SEC, should issue a policy statement to institutionalize behavioral changes at the PCAOB and encourage an environment in which reasonable differences in professional judgment can co-exist.

Principles-based Standards

When applied consistently and rigorously, high-quality, principles-based accounting standards provide the following benefits:

- Increased comparability for investment analysis
- Enhanced efficiency of capital allocation on a global basis and a reduction in the overall cost of capital
- Increased competitiveness of companies and capital markets through the elimination of barriers (and costly requirements to report in, or reconcile to, other GAAPs)
- Reduction of unnecessary accounting complexity and the risk of errors
- Process and cost efficiencies for preparers, investors, auditors, and others by enabling them to operate in one global accounting environment

The Committee is considering a number of recommendations associated with the development of "optimal" accounting standards, both prospectively and retrospectively. As the Committee's report suggests, these matters are best approached within the context of the adoption of IFRS in the US, and we encourage the Committee to deliberate these concepts from that perspective. We re-emphasize the Committee's acknowledgement that US GAAP, like IFRS, is principles-based, although over time US GAAP has become encumbered by a significant volume of details (i.e., interpretive, implementation, and industry-specific guidance, alternative accounting policies and bright-lines). The anticipated move in the US to IFRS will remove much of that detailed guidance resulting in a set of more principles-based accounting and reporting standards. Additionally, successful implementation of a more principles-based set of standards requires a regulatory process that accepts that reasonable differences in professional judgment can co-exist. Furthermore, without behavioral changes in the US on the part of all constituents, there is a risk that, once adopted, IFRS could also become burdened with details similar to US GAAP today.

We suggest that the standard setters consider the CEO Whitepaper on Principles-Based Standards when developing new standards in anticipation of the eventual move to IFRS. In particular, the Committee should emphasize one of the paper's most important messages: In accounting standards, standard setters should clearly articulate their views on the underlying economics of transactions. This will enable preparers to apply accounting standards more consistently.

Interpretive Implementation Guidance

While the move to a more principles-based set of standards will reduce some elements of complexity, steps can be taken now to improve the usability of existing accounting guidance. We agree with the Committee's two short-term recommendations for mitigating the complexity currently associated with existing US GAAP: (1) The FASB should bring its Codification Project to a reasonable conclusion, balancing interim benefits to preparers and investors with the eventual move to IFRS, and (2) the number of parties permitted to authoritatively interpret US GAAP should be reduced to a single standard-setting entity.

Through the Codification, the FASB has already identified and resolved some conflicting or duplicative guidance that currently exists in US GAAP. The FASB has also used the Codification as an opportunity to determine which existing parts of accounting literature should be considered authoritative versus non-authoritative.

These benefits are particularly important because several bodies currently contribute to existing accounting guidance, including the FASB, EITF, AICPA, and the SEC. Sometimes, the guidance issued by these different parties conflicts, making it difficult for preparers to identify which guidance should be applied in a given situation. We recommend that the FASB continue to incorporate all accounting and financial reporting guidance issued by the SEC in the final Codification, including Staff Accounting Bulletins which, for all practical purposes, are treated as authoritative GAAP.

The FASB's Codification will improve the usability of accounting literature by integrating and organizing all authoritative US GAAP by key accounting topic. Completion of this project will make it easier to navigate the breadth of US GAAP. However, it will not make US GAAP any easier to apply since it does not include change to existing guidance. We view the Codification as just one step toward a much broader goal of improving financial reporting and reducing complexity through a single set of high-quality, principles-based global accounting standards. Therefore, we support the FASB and IASB's joint plan to work toward global convergence and acknowledge that they have already identified projects to facilitate this objective.

Industry-Specific Guidance

We support addressing unique issues through industry-specific guidance if industry-specific guidance more accurately portrays the underlying economic realities of transactions and enhances the usefulness of information to investors. However, as new standards are developed with the objective of moving to IFRS, industry-specific guidance should be avoided (as it generally has been by the IASB), unless it is clearly demonstrated to provide investors with more useful information than a broader standard. Existing industry-specific guidance should be evaluated on its merits before being eliminated.

Alternative Accounting Policies

Despite concerns about the comparability of financial information, we support the existence of alternative accounting policies that enhance the usefulness of information to investors. Alternative accounting policies supported by robust disclosures enable preparers to more accurately reflect and disclose the economic realities of transactions, providing investors with more transparent and useful information that improves comparisons between companies.

Bright Lines

The Committee is considering whether to recommend that the standard setters replace bright-line tests with additional disclosures, "rules of thumb or presumptions, both coupled with additional considerations," and proportionate recognition. While we agree that bright-line tests constrain the use of professional judgment and obscure underlying economic reality, we believe that the standard setters should ultimately address the challenges of bright-line tests within the context of the eventual move to IFRS and principles-based standards.

Disclosure Framework

The conceptual framework is currently being revised to support the adoption of standards that are more principles-based. We believe that an improved conceptual framework should provide principles for disclosures that are applicable to all standards. Therefore, we encourage the Committee to formally recommend that (1) the FASB and the IASB jointly develop a disclosure framework, and (2) the SEC develop a process to regularly evaluate and update (as appropriate) its disclosure requirements as new standards are issued and the needs of investors change.

However, while we recognize that disclosure guidance may be needed on a standard-by-standard basis, the guidance outlined in those standards should be broad and principles-based so that preparers are not required to provide redundant disclosures or unnecessary information.

Education

The Committee is considering a recommendation related to the education of students and others. Since this matter is being addressed by the Treasury Advisory Committee within the broader context of the sustainability of the accounting profession, we will direct our comments to that body.

Fair Value Measurement and Reporting

Measurement Framework

Fair value is typically considered the most relevant measure for financial assets and liabilities. However, for non-financial assets and liabilities, fair value is often criticized as an unreliable measurement basis, particularly in illiquid markets. The thought is that fair value estimates developed using unobservable inputs and management's assumptions could compromise comparability across companies, making it difficult for users to analyze financial information.

The Committee is considering whether to recommend that, as part of the conceptual framework project, the FASB develop a decision framework for systematically determining which measurement attribute is most appropriate for certain activities or assets and liabilities, based on the trade-off between relevance and reliability. The Committee is also considering whether to recommend that the FASB refrain from issuing new standards or interpretations that require expanded use of fair value until the decision framework has been completed.

We encourage the Committee to submit these recommendations, as a framework for determining when to use fair value should be sufficiently developed before new standards are issued to extend the use of fair value to nonfinancial assets and liabilities. A framework will help facilitate the consistent application of fair value, the reliability of measurements, and the reasonableness of assumptions and judgments. In addition to the development of this framework, the following should also be accomplished before the use of fair value is required for nonfinancial assets and liabilities:

- The income statement should be revised so that investors can distinguish revaluation adjustments from core operating results. Income statement presentation is currently being reviewed by the standard setters.
- Regulators should be prepared to accept the expanded use of highly subjective judgment by preparers and auditors when making fair value assessments.
- The skill set of preparers, auditors, regulators, and standard setters must be expanded to include specialized knowledge required for valuations.
- Preparers, auditors, investors, and regulators must work together to understand how financial reporting can better balance investor needs with practical constraints and costs. This will expand the role of financial reporting so that it is less compliance-driven and more focused on improving the clarity and value of information.

Grouping in Financial Statement Presentation

Performance statements should present fair value re-measurements separately from other operating results. The financial statement presentation projects of the FASB and IASB are the proper venue in which to explore these matters. We encourage the FASB and IASB to accelerate their financial statement presentation project to address how fair value re-measurements should be presented in a company's performance statement.

Additional Disclosure

The Committee identified several areas that may warrant additional disclosure to clearly communicate the level of uncertainty associated with fair value measurements in the financial statements. The Committee also acknowledged that uncertainty exists in other measurement attributes, such as historical cost, which may warrant similar disclosure. We believe that the disclosure requirements embedded in FAS 157 accomplish substantially all of the Committee's tentative recommendations. However, recent market events have taught us that additional financial statement disclosures may be required to provide necessary context of the reported financial information to investors. We recognize that situation specific disclosures should not permanently increase the volume of required disclosures.

Standard-setting Process

Moving to a single set of high-quality, principles-based global accounting standards is a challenging proposition, as differing cultural, legal, regulatory, and economic environments present a number of obstacles. However, maintaining two sets of standards, US GAAP and IFRS, is not sustainable because it hinders globalization and communication. Despite the obstacles that the IASB and FASB face in moving to a single set of standards, they remain strongly committed to achieving this goal. The Committee offered several recommendations for improving the current standard-setting process. We approach these recommendations from the perspective of positioning the US so that it will transition as an effective member of the global standard-setting community.

The move to IFRS is likely to change the FASB's role in standard setting significantly. We expect that the FASB will no longer serve as the primary developer of new accounting standards in the US. Its role will instead evolve to include the following responsibilities:

- Supporting the IASB in developing new standards and enhancing existing standards
- Bringing a US perspective to the IASB's activities and providing that perspective at appropriate stages during an IASB project
- Assisting the IASB in identifying new projects and undertaking certain aspects of such projects
- Identifying implementation issues that will stem from adoption of IFRS by US companies and determining how those issues can best be addressed to ensure that the IFRS accounting and reporting framework is successfully applied by US companies
- Continuing to promulgate accounting standards for US reporting entities that are not addressed by the IASB or another global standard setter (such as those for not-for-profit entities)

Increased User and Investor Involvement

We agree with the call for increased user/investor involvement in the standard-setting process. We do not, however, believe that the FASB should consider measures to give their perspective "pre-eminence"— a term used by the Committee in its Progress Report. Rather, the user and investor perspective, albeit essential to the standard-setting process, should be considered as important as the preparer perspective. We agree with the Committee's view of a balanced approach to user and investor involvement, which is articulated in the discussion sections of the Progress Report.

We also agree that the views of users and investors have not been effectively leveraged in the standard-setting process, and that steps should be taken to improve their representation. In addition to the Committee's recommendations, we encourage the FASB to sponsor roundtable discussions and town hall meetings at various points during the standard-setting process to actively engage users and investors.

FAF and FASB Governance

Although the agenda for standard-setting projects continues to grow, the resources available to devote to these projects remains the same. To address this issue, the Committee offered several recommendations that target improving the overall effectiveness of the standard-setting process. These recommendations generally coincide with those outlined by the FAF in its "Request for Comments on Proposed Changes to Oversight, Structure and Operations of the FAF, FASB and GASB." As described in our letter to the FAF, dated February 12, 2008, we are supportive of the proposals within the context of a move to a single set of global accounting standards in the next few years.

Improvements to the Standard-Setting Process

The Committee recommended that the SEC encourage the FASB to create a formal Agenda Advisory Group, which would provide the FASB with advice on agenda setting. This recommendation appears to ignore the existence and purpose of the FASAC and the inevitable move to IFRS. While we agree with the Committee's objectives to enhance the effectiveness of the FASB through more focused agenda setting and accountability, we believe that all modifications to the agenda-setting process should be made through the FASAC. Additionally, the effort and time required to establish a new advisory group may not be warranted, given the ultimate conversion to a single set of high-quality accounting standards established by a global standard setter. As a result, it would be more beneficial and efficient to focus on improving the FASAC to address current and future needs and responsibilities of the FASB. For example, the FASAC could

- Reduce the number of its members or establish a smaller sub-committee or executive committee, while retaining strong representation from investors, regulators, standard setters, preparers and auditors
- Have a term of membership that is more aligned with the FASB's term of membership
- Hold more meetings and conference calls on urgent matters to promote quick turnaround and active participation
- Vote to propose agenda items and action plans to the FASB to enhance the timeliness and effectiveness of the standard-setting process

The Committee also suggested that the standard-setting agenda be re-prioritized to better balance key objectives: international convergence, improvements to the conceptual framework, and improvements to existing GAAP. Therefore, we believe that the FASAC should encourage the FASB to remain focused on the following top priorities:

- Continuing with convergence as an interim step toward the transition from US GAAP to IFRS
- Moving to a single set of high-quality global accounting standards
- Building the Conceptual Framework with the IASB
- Completing the Codification project

Robust Field Testing and Assessment Review Period for New Standards

The Committee recommended that the SEC encourage the FASB to improve its procedures for field testing, field visits, and cost-benefit analysis. We generally agree that the FASB should conduct a robust field test of proposed standards. Performing robust field testing would ensure that (1) the FASB understands the economics of transactions and (2) the operationality of its proposals is consistent with the expected ultimate practice. However, the practicality of performing robust field testing should not compromise the efficiency of issuing new standards.

Although the Committee suggested a one- to two-year assessment period for reviewing new standards, we encourage the FASB to use a two- to three-year assessment period to ensure sufficient implementation data is available for review. Additionally, we agree that a mandatory look-back should be conducted to ensure that each newly issued standard is operating as intended and that any diversity in application falls within a reasonable range.

SEC-related Recommendations

In our view, the SEC as a regulatory body should not issue any new broadly applicable accounting guidance—formally or informally. Instead, the SEC should ensure that investors' interests are protected by focusing on preparer compliance with authoritative accounting literature. Therefore, we agree with the Committee's recommendation that the SEC should submit any accounting issues that it identifies to the FASB for resolution. As discussed above, existing SEC guidance (including interpretive positions, which are generally treated as authoritative) should be incorporated into the FASB's Codification, as appropriate, or codified by the SEC and organized by rule.

We recognize that the SEC's cessation of issuing interpretive and implementation guidance is an iterative process. Preparers will continue to give credence to historical precedent-setting positions taken by the SEC and its staff. Both preparers and auditors will continue to want guidance on accounting and reporting matters that does not require them to engage in a pre-clearance consultation with the SEC staff. Therefore, we recommend that the SEC develop an approach for communicating informal guidance broadly and quickly during the pre-clearance and comment letter processes. This will enhance the transparency of the Staff's views and perspectives.

The SEC should consider updating the 2000 Division of Corporation Finance Accounting Disclosures Rules and Practice publication ("Staff Training Manual") on an annual basis. To make this process more efficient and effective, the SEC should consider dividing the manual into manageable segments, starting with guidance that is either incorrect or contradictory to current US GAAP. The Staff Training Manual should also be made publicly available to preparers and auditors as a reference guide. This would help registrants better understand the SEC's perspectives on the application of accounting and reporting standards.

The SEC should update its internal communication protocols so that consensus between the Division of Corporate Finance and the Office of the Chief Accountant can be built on registrant accounting and reporting matters at the beginning of a registrant review. The current organizational structure sometimes creates a lengthy and frustrating experience for all participants (preparers, auditors and regulators). The costs associated with the time and effort spent working through this process are ultimately borne by investors.

To address the issue of preparer liability, the Committee is considering whether to recommend that the SEC issue a new comprehensive interpretive release regarding the use of financial information on corporate websites. We support this recommendation, provided that auditor assurance is not recommended over website disclosures outside the content of a full set of financial statements.

XBRL: Business Information for the Internet

The introduction of XBRL is an important step in achieving more effective and efficient preparation of corporate reporting, and consumption and analysis by users in the business reporting supply chain—management, investors, analysts, creditors, regulators, and auditors. In particular, XBRL can make business information more accessible over the internet, facilitating timely and accurate access to external financial reporting by investors. Broader marketplace adoption of XBRL may help maintain and enhance the competitiveness of the US capital markets, as many securities regulators outside the US have already mandated the use of XBRL for financial reporting or have announced plans to do so.

Despite the fact that the SEC has been conducting a voluntary filing program for the past three years, there remains a need to create greater awareness, including a deeper understanding of the costs versus benefits of using XBRL from the perspective of preparers and investors. A significant number of preparers and investors lack sufficient familiarity with XBRL and its process implications. These preparers and investors will need to begin their XBRL implementation efforts well in advance of any mandatory submission dates. Accordingly, the Committee's recommendation for a phase-in of XBRL is reasonable, given the current state of XBRL and marketplace readiness. However, the SEC should align the proposed adoption of XBRL with the IFRS convergence initiative.

The Committee's recommendation currently excludes any assurance-related component. As the SEC considers whether and when to mandate "filed" XBRL financial statements (versus "furnished" submissions), it should also consider the importance of the information's reliability and the appropriateness of mandatory assurance on XBRL-formatted financial statements within the context of investor protection. We believe that users of XBRL financial statement information will expect, and should be provided, the same level of assurance on filed XBRL-formatted financial statements that they receive on traditional financial statements filed with the SEC through EDGAR. Therefore, we suggest that the SEC continue to seek feedback from preparers and investors on the forms of assurance that should be provided on XBRL-formatted financial statements.

Some suggest that the costs of implementation and any associated assurance could rival the cost experience of the implementation of Section 404 of the Sarbanes-Oxley Act of 2002. While the details of any potential filing mandate and related assurance considerations need to be further defined, we believe that these suggestions exaggerate the level of effort that will likely be expended to implement XBRL and provide assurance. This belief is based on our experience with XBRL and related attestation engagements under the Voluntary Filing Program.

To minimize implementation inefficiencies and improve consistency and comparability, the guidance available to preparers, especially on company-specific taxonomy extensions, must be improved sufficiently in advance of any mandatory adoption date. We are engaged in a collaborative process, working together with the profession, the SEC, and the PCAOB, to define a balanced assurance framework and an appropriate, cost-effective attestation reporting model before companies are mandated to file (rather than furnish) XBRL-formatted financial statements with the SEC.

Questions

We would be pleased to discuss our comments and answer any questions that the Committee or the Commission may have. Please do not hesitate to contact Vincent P. Colman at (973) 236-5390 or Raymond J. Beier at (973) 236-7440 regarding our submission.

Sincerely,

PricewaterhouseCoopers LLP