JCPenney
6501 Legacy Drive
Plano, TX 75024

Dennis P. Miller
Senior Vice President and Controller

Every Day Matters™
jcp.com

April 17, 2009

Via e-mail to: rule-comments@sec.gov

Elizabeth M. Murphy, Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

File: No. S7-27-08 – Comments on Proposed IFRS Roadmap

Dear Ms. Murphy:

J.C. Penney Company, Inc. (JCPenney) welcomes this opportunity to respond to the request for comment from the Securities and Exchange Commission (SEC or Commission) on the Proposed Roadmap for the Potential Use of Financial Statements Prepared in Accordance With International Financial Reporting Standards (IFRS) by U.S. Issuers (Proposed Rule or Roadmap).

JCPenney is one of America's leading retailers, operating 1,101 department stores throughout the United States and Puerto Rico, as well as one of the largest apparel and home furnishing sites on the Internet, jcp.com, and the nation's largest general merchandise catalog business.

We support the Commission's efforts to develop high-quality global accounting standards that improve the transparency, usefulness and credibility of financial reporting across enterprises worldwide. There are significant benefits to be derived from one common language of accounting standards – a common platform – that enterprises can use to report and investors can use to compare financial information. One set of standards will improve the effectiveness and efficiency of capital formation across global financial markets and lead to a reduction in regulatory compliance costs and improved timing of market transactions.

While we believe these benefits are real, and can, and should be realized, there is an immediate cost consideration that cannot be ignored. The cost of conversion to IFRS is significant, with estimates as high as 1% of revenue, and by the Commission's own estimates, it would cost about $32 million for early adopters. We are concerned that committing significant capital resources at this time to conversion – during this severe economic downturn that has significantly reduced consumers' discretionary spending, which is having a direct negative impact on our business – is not a prudent use of resources.

Given this current difficult operating environment and the high costs involved, a conversion to IFRS on a more controlled basis should not result in a significant financial, and operational burden on enterprises if it can be structured as an evolutionary process versus a revolutionary one as proposed under the Roadmap. There are still significant differences between US GAAP and IFRS accounting standards, which need to be reconciled and converged. We would be fully supportive of a process whereby over a period of time a more controlled convergence of US GAAP and IFRS accounting standards could be completed. One that follows a process such that as accounting standards are first fully converged, enterprises would then implement the new accounting here in the U S, and abroad to reflect the revised rules. This process would require more elapsed time than currently contemplated under the proposed Roadmap, but establishing a firm timeline to fully converge accounting standards would ensure its completion. The added benefits of such an approach would allow for training and education in converged accounting rules to evolve and would provide time for formal educational institutions to adjust curriculums as appropriate. It would also allow adequate time for the accounting profession through State Boards of Accountancy and professional organizations to embed converged rules into exam requirements for certification and continuing education. The New York State Society of Certified Public Accountants has indicated that they believe it will not be until 2011 before professional and university programs will be substantially in place to adequately address education and training related to IFRS.

If the Commission prefers to continue on the current Roadmap approach, then we believe that companies such as ours need a date that is certain in the future, which would provide adequate time for conversion. This would eliminate the uncertainty that exists under the current Roadmap whereby the Commission has indicated it will decide in 2011, assuming adequate progress has been made in the milestones indentified, to require mandatory adoption beginning in 2014 for large accelerated filers. We have a concern that devoting resources to the conversion at this time could be prudently avoided if the Commission decides in 2011 that additional progress is required and postpones mandatory conversion to IFRS to a later time.

As we are in the process of going through a high level assessment of our accounting policies that would most be impacted by the conversion from US GAAP to IFRS, and where the greatest amount of resources, both capital and human, would be devoted, there are two areas that we want to point out in particular that are significant for us and other retail companies —Inventory, and Property Plant and Equipment.

- **Inventory**
  - The inventory valuation rules under IFRS are focused on the lower of cost or realizable value model, whereas the concept under US GAAP is focused on the lower of cost or market, with market being defined as having a maximum, and a minimum. The issue revolves around a long and widely used industry inventory valuation method, the Retail Inventory Method (RIM) that JCPenney, and many other retailers use. Currently there is no agreement within the accounting profession that RIM meets the requirements of IFRS. Using RIM under IFRS is being debated and discussed by preparers and the public accounting firms. In addition, it is not clear if an enterprise may use more than one acceptable method for inventory valuation, such as a cost method for certain components of inventories and RIM for other components. Another significant difference in inventory accounting that is explicitly prohibited under IFRS is the use of the Last-In-First-Out (LIFO) method of inventory costing. If IFRS were adopted today, this IFRS preclusion would cause JCPenney to violate current Internal Revenue Service (IRS) conformity requirements. Neither the U.S. Congress nor the IRS has begun to address the potentially onerous tax consequences related to a conversion from LIFO. In addition, the Roadmap does not address this issue either.
  - If it is deemed that RIM is not an acceptable method of inventory costing and that only one method of costing must be utilized for all inventory in an enterprise it will result in significant IT system resources as well as merchandising process conversion costs without adding any value from a profitability or efficiency stand point.

- **Property Plant and Equipment (PP&E)**
  - There are some significant differences in US GAAP and IFRS in the accounting for PP&E in terms of the required levels of assigning useful lives, which impact the period over which depreciation is recorded. IFRS requires component accounting for fixed assets. PP&E for JCPenney, and generally for other retail companies as well, is the largest single asset category on the balance sheet. The conversion to IFRS would require significant IT resources to change from composite accounting to component accounting. While going forward, a change to component accounting could be more easily implemented, the larger and immediate issue deals with existing assets for which component information is simply not available. A related issue arises with respect to depreciation and fully depreciated assets in assessing the differences in depreciation charges in prior year periods for such fully depreciated assets.
  - Related to PP&E there are other significant differences requiring time and resources to conform to IFRS. Accounting for impairments is accomplished under a different model under IFRS, the one-step method versus the two-step method under US GAAP. Another important difference is the ability to reverse impairments if in the future there is a recovery of asset fair values. Lease accounting would also provide some

challenges due to the IFRS rules not being prescriptive and as detailed as the US GAAP rules.

- Lease accounting would also provide some challenges due to the IFRS rules not being prescriptive and as detailed as the US GAAP rules. Lease accounting represents a good example of our view of controlled convergence rather than conversion. The FASB and the IASB are working on a joint project to converge the accounting for leases. When this project is completed and the new rules are issued they will be implemented by both US and foreign enterprises at the same time and a natural convergence for lease accounting will occur.

To conclude, JCPenney supports the goal of having one set of high quality global accounting standards for all preparers to use in order to reap the many significant benefits that have been identified. However, we also believe that due to cost/benefit considerations at this time, and that our systems and processes are not ready for a total conversion, scarce human and capital resources to devote to a full conversion, and that our accounting staffs are not adequately trained and the profession and colleges and universities are not prepared, we believe that the goal could be accomplished through convergence of US GAAP and IFRS over a reasonable period of time. This approach will mitigate many of the concerns preparers have identified, especially the immediate cost consideration, it will allow time for a more thoughtful and thorough convergence of accounting standards and would allow accounting staffs to gain experience and knowledge on a wider and broader basis than currently proposed.

JCPenney applauds the Commission's efforts to develop a high-quality set of accounting standards designed to improve financial reporting. However, we feel that it is still too early in the convergence process for us to commit resources and for the Commission to approve a Roadmap when there remains so many unresolved issues, including the Commission's commitment to a firm conversion implementation date. In addition, given the current economic environment that we all face, we feel it is in everyone's best interest to focus on shareholder value, cost savings and business efficiency. For these reasons, we ask the Commission to suspend the proposed Roadmap and let the FASB and IASB continue to work towards convergence over time.

Sincerely,

Dennis P. Miller
Senior Vice President and
Controller