

January 11, 2008

Nancy M. Morris, Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-0609

Re: Proposal to Allow IFRS

Dear Ms. Morris:

The Accounting Principles and Auditing Standards Committee of the California Society of Certified Public Accountants (the AP&AS "Committee") submits the following comments on the Proposal to Allow IFRS.

The AP&AS Committee is the senior technical committee of our state society. The committee is comprised of 50 members, of whom 67 percent are from local or regional firms, 23 percent are sole practitioners in public practice, 5 percent are in industry and 5 percent are in academia.

Questions:

1. Do investors, U.S. issuers, and market participants believe the Commission should allow U.S. issuers to prepare financial statements in accordance with IFRS as published by the IASB?

Yes. The Committee believes that a transition to allowing US companies to file financial statements in accordance with IFRS should be accomplished as quickly as possible.

2. What would be the effects on the U.S. public capital market of some U.S. issuers reporting in accordance with IFRS and others in accordance with U.S. GAAP? Specifically, what would be the resulting consequences and opportunities, and for whom? For example, would capital formation in the U.S. public capital market be better facilitated? Would the cost of capital be reduced? Would comparative advantages be conferred upon those U.S. issuers who move to IFRS versus those U.S. issuers who do not (or feel they cannot)? Would comparative advantages be conferred upon those investors who have the resources to learn two sets of accounting principles (IFRS and U.S. GAAP) as compared to those who do not?

The Committee believes that allowing companies to file financial statements in accordance with IFRS will provide comparability around the world and will allow the US continue as a leader in the international capital market. Preparers, auditors, and users of financial statements must adjust to the changing international marketplace. To delay unduly will ultimately put the US in a noncompetitive position.

3. What would be the effects on the U.S. public capital market of not affording the opportunity for U.S. issuers to report in accordance with either IFRS or U.S. GAAP? Specifically, what would be the resulting consequences and opportunities, and for whom? Would capital formation in the U.S. public capital market be better facilitated? Would the cost of capital be reduced? Alternatively, are there certain types of U.S. issuers for which the Commission should not afford this opportunity?

See answer to 2.

4. To what degree would investors and other market participants desire to and be able to understand and use financial statements of U.S. issuers prepared in accordance with IFRS? Would the desire and ability of an investor to understand and use such financial statements vary with factors such as the size and nature of the investor, the value of the investment, the market capitalization of the U.S. issuer, the industry to which it belongs, the trading volume of its securities, or any other factors?

The degree and ability may vary according to size, but ultimately all issuers who desire to be part of the international capital markets must adjust to the changes that are inevitable.

5. What immediate, short-term or long-term incentives would a U.S. issuer have to prepare IFRS financial statements? Would the incentives differ by industry segment, geographic location of operations, where capital is raised, other demographic factors, or the aspect of the Commission's filing requirements to which the U.S. issuer is subject?

Those with the greatest incentive would be those who desire to access capital in markets outside of the US. Some US issuers may choose to issue under IFRS because of the increased flexibility in reporting and reduced disclosure requirements. This is a cost of allowing IFRS, but the Committee believes that the convergence project will ameliorate this concern.

6. 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?

The Committee believes that the convergence project and education will solve the potential problems in the long term. Change may lead to complications in the short term, but the convergence process should solve this in the longer term.

7. Are there additional market forces that would provide incentives for market participants to want U.S. issuers to prepare IFRS financial statements?

8. Are there issues unique to whether investment companies should be given the choice of preparing financial statements in accordance with IFRS? What would the consequences be to investors and other market participants of providing investment companies with that choice?

9. Would giving U.S. issuers the opportunity to report in accordance with IFRS affect the standard setting role of the FASB? If so, why? If not, why not? What effect might there be on the development of U.S. GAAP?

Yes. The FASB's role would be reduced. If the US moves to IFRS, that change is inevitable.

We thank you for the opportunity to comment on the Proposal to Allow IFRS. We would be glad to discuss our opinions with you further should you have any questions or require additional information.

Very truly yours,

Mark F. Wille, Chair  
Accounting Principles and Auditing Standards Committee  
California Society of Certified Public Accountants