CPA
THE OHIO SOCIETY
OF CERTIFIED
PUBLIC
ACCOUNTANTS

March 31, 2008

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

Re: rule-comments@sec.gov Subject: Number 265-24

The Accounting & Auditing Committee of The Ohio Society of CPAs reviewed the released report of the SEC Advisory Committee on Improvements to Financial Reporting, and we submit the following comments for your consideration. We appreciate the opportunity to review and provide comments on the proposals, and would be pleased to discuss any or all of the responses as desired with the Advisory Committee or with the Securities and Exchange Commission.

Governance

We strongly support several changes proposed in this area including:

- Creation of an Agenda Advisory Group (with representation by the Securities and Exchange Commission ("SEC"), Public Company Accounting Oversight Board ("PCAOB"), investor, preparer and auditor communities) to assist the Financial Accounting Standards Board ("FASB") in prioritizing standard setting efforts.

- The FASB to be the sole standards-setter for Generally Accepted Accounting Principles ("GAAP") and that the authoritative source of GAAP be limited to the FASB's codification project.

- Development of frameworks by the SEC and PCAOB for reviewing the exercise of judgment.

- Field testing of proposed Accounting standards in advance of finalization and release for general implementation, and recommendation that all new standards implemented be subject to a post-implementation review to ensure uniform application is taking place, and to respond with changes when it is not.

535 Metro Place South
Box 1810
Dublin OH 43017-7810

614/764-2727
800/686-2727
FAX: 614/764-5880

Member Service Center:
614/791-1212
Toll Free: 888/959-1212

http://www.ohioscpa.com

Several areas of consideration are offered as follows:

1. The timeframe to achieve these changes may be significant. Development of accounting standards around a defined narrow range of interpretation relating to the exercise of judgment by all parties represented in the Agenda Advisory Group will be challenging.

   What timetable is anticipated for achieving a complete change in financial reporting processes as proposed by the Report?

2. **How will recommendations by the SEC Advisory Committee be reconciled against other ongoing efforts to converge U.S. and International accounting standards, and the recently released proposal by the SEC to allow domestic companies to file using International Financial Reporting Standards ("IFRS")?**

3. References are made to incorporating the "perspective of an investor" into both the setting of accounting standards, and in determining materiality in the evaluation on how to correct subsequently discovered errors over time. We would suggest there is no single investor perspective, and there likely exists a similar range of judgments as potentially seen in other constituents. **How will investor representation be determined to ensure an average investor perspective is achieved?**

4. The FASB is charged with responsibility for setting accounting standards guidance for both privately and publicly owned companies. **Are the needs and perspectives of investors different from other stakeholders who rely on financial reporting provided by a Company? If not, how will the perspectives of other stakeholders be considered in setting accounting standards that generally apply to both publicly and privately owned companies?**

   If accounting standards and related disclosure requirements are set based on the perceived investor needs for only the very largest publicly owned companies in the U.S., what are the ultimate consequences for the remaining smaller publicly held companies and for privately owned companies?

   In field testing in advance of implementing new accounting standards, will the FASB include all sizes of organizations and both private as well as publicly held companies in those tests? Since the FASB effectively provides accounting standards for all organizations, we believe that field-testing should include the experience and perspectives of all ownership types and sizes of organizations, and the external CPA firms that report on them, in that assessment phase.

5. Some investors may want maximum incremental disclosures to be provided in financial statements, in order to permit them to selectively pick and choose what they may wish to use. To the extent that the cost of these expanded disclosures are not weighed against the relative benefits of the disclosures, we could see required detailed supplemental disclosures rapidly expand in a manner that would become costly to both implement and audit for smaller publicly held companies and privately held companies. This concern is further reinforced by the "one size fits all" view expressed in the SEC Advisory Committee's Report (i.e., that accounting standards should have no alternative applications permitted).

   How will cost and benefits perspectives be incorporated into the development of accounting standards and disclosure requirements that would apply to all companies?

Recommended Content Changes in Accounting Standards

We concur with the recommendation on moving to a principle based versus rules based approach in setting accounting standards, and with the recommendations to focus on activities versus industries, eliminate alternative accounting methods permitted, and move away from "bright line" guidance in accounting standards.

In addition, we support the recommended slow down in issuing Fair Value driven accounting standards until the completion of a related measurement framework.

While we see the recommended comprehensive disclosure framework as beneficial, we note that existing disclosure requirements today typically are compiled into the form of disclosure checklists used by preparers and auditors, and that these checklists provide an overview of all disclosures required from various accounting standards.

Several key issues will impact implementing such content changes in accounting standards, as listed below:

1. **What transition approach will be used for modifying historical accounting standards to achieve the proposed changes?**

This transition process will impact issuers, auditors, and financial statement users over a significant period of time, as well as the education environment that supports training of both aspiring and existing accountants.

2. The challenge will exist in constructing accounting standards with narrow methods application in every area. Where there is complexity in facts and circumstances, there likely will be diverse views on which accounting method approach best supports financial reporting on those areas. **To the extent that complex facts and circumstances drive complex accounting issues, how will those be effectively resolved to distill down to the simple and uniformly applied accounting standard in a principles based environment as suggested by the report?**

3. Within IFRS today, there exists "national exceptions" where different approaches are taken in financial and tax reporting and there are instances where IFRS standards themselves permit alternative accounting approaches to be taken. **If movement to IFRS is desired, how will those differences be dealt with in the U.S.? In the setting of accounting standards impacting U.S. companies, will we continue to operate through the FASB in a national mode or will we become part of a larger international accounting setting process? If the latter, how will the process changes and approaches recommended in this report be reconciled to that objective?**

4. The report offers an example of the elimination of an "all or nothing recognition approach" in accounting for an operating lease transaction through the application of what is termed "proportionate recognition". This method requires both fair value and useful life to be incorporated into the computations to arrive at a recognized asset value for the "use" of the leased asset. While simple in concept, we would offer the view that for many leased assets (such as leased building space, etc.), this approach would require significant use of subjective information not readily available to the lessee nor subject to easy verification.

   It is not clear "proportionate recognition" offers any clear advantage over the "all or nothing" approach used today in arriving at simple accounting approaches taken in this area.

Restatements and Application of Materiality Judgments

The report suggests there may be excessive restatements, where the relative errors corrected were not material enough to justify a restatement. In this regards, the report recommends prior period financial statements should be restated for errors only when those errors are material to those prior periods. All other errors would be reported and disclosed in the current period when discovered. This view basically is a repudiation of the existing guidance provided under Staff Accounting Bulletin 108 from the SEC.

We agree with the view that materiality should be seen from the perspective of the financial statement user, and evaluated as part of a total mix of information available to that user, and that both qualitative and quantitative issues should be part of that judgment.

As to whether the number of restatements to date has been excessive, this assertion requires more immediate evaluation by the SEC and PCAOB. If materiality concepts need revision and better definition, we concur that additional steps by the SEC and FASB are warranted to provide education in that area.

What is the ultimate disposition of Staff Accounting Bulletin 108 ("SAB 108")? Will the SEC question historical SAB 108 judgments made if upon adoption of the new guidance, companies make large corrections in current periods and disclose them as related to prior periods? Will there be transition guidance similar to that given for adopting of SAB 108?

Application of XBRL

We support the recommended phased-in implementation of XBRL. However, there are concerns that need to be addressed regarding the potential liability of improper data tagging, the auditor's responsibility to opine on the tagging, and related internal control guidance in this area. **Would the auditor's report need to include a statement on the completeness and accuracy of XBRL tagging? This requirement would likely increase the overall cost of XBRL.**

We appreciate the opportunity to review and comment on the Report issued on Improvements to Financial Reporting, and look forward to any further discussion or support we can provided in this area.

Best Regards,

Glenn A. Roberts, CPA
The Ohio Society of CPAs
Accounting & Auditing Committee, Chair
glenn@hooverandroberts.com
Phone 937.456.4113

Gary L. Sandefur, CPA
The Ohio Society of CPAs
Accounting & Auditing Committee, member
gsandefur@rgbarry.com
Phone 614.729.7060

David A. Bohl, CPA
The Ohio Society of CPAs
Accounting & Auditing Committee, member
david.a.bohl@us.pwc.com
Phone 614.477.0691