MAPI Manufacturers Alliance

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The Commissioners
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: "Roadmap for the Potential Use of Financial Statements Prepared in Accordance With International Financial Reporting Standards by U.S. Issuers," File Number S7-28-08

Dear Commissioners:

The Manufacturers Alliance/MAPI is pleased to submit these comments on the *Roadmap for the Potential Use of Financial Statements Prepared in Accordance With International Financial Reporting Standards by U.S. Issuers,* SEC Release No. 33-8982, November 14, 2008 ("Roadmap"). Earlier this month, we surveyed senior financial officers of our member companies on "Transitioning to IFRS." Our comments convey the result of the survey, a copy of which is attached.

The Alliance is a leading executive development and business research organization serving the needs of the senior management of our more than 500 member companies. Our diverse membership includes the full range of manufacturing and related business service industries. One of our primary activities is the operation of our Council program where executives in nearly every management discipline are brought together with their peers to share business knowledge, expertise, and best practices.

The results of the IFRS survey of financial officers of MAPI member companies reflect a lack of enthusiasm for the proposed transition to IFRS. Significantly, 75 percent of the financial officers who participated in this survey generally do not believe that IFRS will have a significant impact on investors, because the financial information provided under IFRS or GAAP will be approximately of equal value, or companies will continue to provide U.S. GAAP financial reports. Participants elaborated on this point in free form comments, in which they noted that U.S. companies and investors generally have not "asked" for IFRS and cautioned that "The United States should not give up its historical leading position in the development of Generally Accepted Accounting Principles (GAAP)." Another commentator noted that the transition to IFRS will be expensive—with little total gain. Moreover, close to 75 percent indicated that guidance regarding IFRS is not adequate. Sixty-one percent of survey respondents believe that the SEC's control over the process of setting accounting standards will diminish following the transition to IFRS. Seventy percent of the respondents believe the mandated use of IFRS should be delayed by at least one year. Several respondents noted that U.S. institutions of higher education are not now equipped to teach IFRS, and it will take time to prepare all the audit firm and internal staff for effective IFRS compliance.

More than half (53.7 percent) of the 54 respondent companies have yet to start the transition to IFRS; two are well along in the process, and ***only one*** plans to be an early adopter. More than two-thirds of the financial officers who participated in the survey believe that the costs of transition to IFRS will exceed the benefits. Less than a third believe that the adoption of a single accounting framework will improve comparability.

Several members commented on the cost and resources that a transition to IFRS would entail. They focused in particular on need to provide three years of both GAAP and IFRS data along with reconciliations between the two systems. One suggested the use of a cumulative catch-up adjustment as a less costly alternative to providing three years of both GAAP and IFRS data. One member questioned whether banking institutions would accept IFRS financial information. Most members (77.3 percent) believe that audit fees would increase. Survey participants anticipate that the costs of upgrading and reconfiguring computer systems will be substantial. Similarly, companies project significant costs associated with training employees and revamping internal policies. Training will be a particular issue as IFRS is not taught in university accounting programs.

Asked to characterize the implication of IFRS for tax liabilities, almost a quarter indicated that the company's tax liabilities will remain unchanged, while 36 percent reported that tax liabilities will likely increase and 40 percent indicated that they do know how tax liabilities might change. Sixty-four percent, however, indicated that they expect financial accounting methods for income and expense recognition will change. The remainder believes that recognition will not be affected or reported that they do not know the impact.

One particular area of concern is the treatment of inventories. Section 472 of the Internal Revenue Code permits taxpayers to use the last-in, first-out (LIFO) method of accounting for inventories for tax purposes, as long as LIFO also is used for financial reporting purposes. More than half of the companies that participated in the survey, 57.4 percent, have LIFO inventories. The Commission should consider the increased tax costs associated with transition from LIFO to the first-in, first-out method.

Sincerely,

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CFO Council
Financial Council

Survey #154

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Transitioning to IFRS

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Transitioning to IFRS

The results of the survey on transitioning to IFRS, based on 54 responses, are summarized below.

1. How far along are you in planning your company's transition to IFRS?

	Number	Percent
We have not started our transition	29	53.7
We have started to plan the transition, but have not done much	23	42.6
We are well along in our planning the transition	2	3.7

2. Do you plan to be an early adopter of IFRS as outlined in the SEC's Roadmap?

	Number	Percent
Yes	1	1.9
No	53	98.1

3. What is your overall assessment of the costs and benefits of transitioning to IFRS?

	Number	Percent
The benefits will exceed costs	3	5.7
The benefits and costs will be approximately the same	14	26.4
The costs will exceed the benefits	36	67.9

4. After the transition to IFRS, do you expect that you will have to continue tracking financial results in U.S. GAAP on a separate ledger, say because of regulatory requirements, thereby incurring additional costs?

	Number	Percent
Yes	23	43.4
No	30	56.6

5. Is the detailed guidance provided by IFRS adequate?

	Number	Percent
Yes	13	25.5
No	38	74.5

6. Will the SEC's control over the accounting standard-setting process diminish after the transition to IFRS?

	Number	Percent
Yes	31	60.8
No	20	39.2

7. Will comparability improve with the adoption of a single accounting framework or will it be diminished owing to less prescriptive guidance and lack of industry guidance?

	Number	Percent
Comparability will improve	15	28.3
Comparability will be reduced	38	71.7

8. If the Commission moves forward with the current roadmap, the mandated use of IFRS by U.S. issuers begins in 2014, either on a staged transition or on a non-staged transition basis. What is your view regarding the mandated transition date?

	Number	Percent
It should be earlier	0	0.0
Keep the current date	16	29.6
Delay the mandated transition date by one year	11	20.4
Delay the mandated date by transition two years (or more)	27	50.0

9. What impact would a requirement that U.S. issuers file financial statements prepared in accordance with IFRS have on audit costs?

	Number	Percent
Audit costs will be about the same	12	22.6
Audit costs will rise moderately	21	39.6
Audit costs will rise significantly	20	37.7

10. What impact will the transition to IFRS have on investors?

	Number	Percent
Little or no impact because the financial information will be about as good	32	61.5
Little or no impact because companies will continue to provide U.S. GAAP financial reports	7	13.5
IFRS will result in less useful information for investors	13	25.0

11. Do you have LIFO inventories?

	Number	Percent
Yes	31	57.4
No	23	42.6

12. How would you characterize the implications of a conversion to IFRS for tax liabilities?

	Number	Percent
Our tax liabilities will remain unchanged	12	24.0
Our tax liabilities will likely increase	18	36.0
Don't know	20	40.0

13. How would you characterize the implications of a conversion to IFRS for tax accounting?

	Number	Percent
Financial accounting methods for income and expense recognition likely will change	32	64.0
Financial accounting methods for income and expense recognition will probably not be affected.	10	20.0
Don't know	8	16.0

14. Any comments on the transition to IFRS?

Comments:

1) IFRS is a solution that the vast majority of US companies and investors are not asking for. A more measured approach to harmonizing accounting standards is the convergence process between IASB and FASB. Instead, what is now proposed is "capitulation". The auditing profession, the SEC and the US legal process is not prepared for life in a true principles-based accounting framework. IFRS should never be made mandatory for US-based registrants. Companies should have the option to adopt.

2) SEC should wave the 3 year comparable period and conform to IFRS transition rules.
3) The US should not give up its historical leading position in the development of GAAP and should not give up control of the accounting principles by which our capital markets are governed.
4) An issuer should file two years rather than three years of IFRS financial statements in its first annual report containing IFRS financial statements, with reconciliation to U.S. GAAP for the two years. A third year would be presented under U.S. GAAP. Once financial statements are presented under IFRS for three years in subsequent periods, no reconciliation to U.S. GAAP should be required.
5) It appears to change for the sake of change, premature to a true consensus on issue.
6) Very expensive to switch to IFRS with little total gain. I think that this may help wall street but not main street. Will need additional technical clarification or undesirable diversity in accounting will result.
7) The requirement for 3 year audited comparative financial statements will be the biggest obstacle. Maintaining separate books under both IFRS and US GAAP will strain resources (IT and personnel) with limited benefit. I would suggest adopting by allowing for a cumulative catch-up adjustment to be recorded in the year of adoption with supplemental "un-audited" comparative information presented in either the footnotes or the basic financial statements. I simply see very limited value in requiring audited comparative information that is 1-2 years old at the adoption date that can't be satisfied in a more cost effective way.
8) One of the benefits that had been discussed was the elimination for the need to keep two sets of books – one for statutory purposes and one for reporting purposes. However, because IFRS has been adopted for statutory purposes in some international locations and their elections may be different than the consolidated election, there will still be a need to keep two sets of books.
9) Major implementation issues include: 1) The increased tax liability associated wtih the loss of LIFO, 2) significant system costs to upgrade and configure ERP system to handle IFRS plus maintenance costs of running parallel systems for several years, and 3) significant training and implementation costs to develop IFRS materials and new policies and then train employees worldwide.
10) LIFO is the biggest issue but we anticipate the tax laws will change before IFRS is implemented.
11) The requirement for two years of comparative financial statements in the transition year is an unreasonable requirement that will result in "two sets of books" for a three-year period.
12) The transition is very problematic. For starters, IFRS is supposedly a principles based accounting approach, but the rest of the world we operate in is a rules based environment. There is an obvious conflict in these approaches. Secondly, the current implementations of IFRS in several foreign countries are substantially different in their applications of various principles.
13) Much work to be done specifically in the banking institutions to accept IFRS and the education process. Biggest risk is the audit community still staying with conservative stances on issues and interpreting IFRS under a narrow focus similar to present day GAAP.
14) I am most concerned with presenting 5 years of historical data upon the 2014 adoption. This means that 2009 is the first year. This is nearly impossible due to a lack of true convergence nor an adequate plan for convergence.
15) Question 3: Short term = No, Long Term = Yes. Question 7: Comparability will improve globally but will be diminished in the US during the period of transition. Question 9: Short term will rise during transition, long term should fall. Question 10: will have transition issues and then should have no impact.
16) Given the extensive length of time that we will need to convert to IFRS, it is difficult to effectively manage the process with the uncertainty around an ultimate mandatory adoption date.
17) Bad impact on Aerospace and Defense CO's.
18) Auditing firms and universities need time to train their people on IFRS. It is not being taught at the University level in many places so graduates are not prepared. 2014 seems about right but that will

require most of the work to be completed by mid 2011. Without adequate training, it will be expensive. Secondly, who is the "policemen" under IFRS. What will be the role of the SEC and PCAOB? Won't more power fall to the auditors in making judgments about which accounting alternative is best? If so, is that good for their profession or will litigation increase even more?

19) Re: Q#10-only because footnote disclosures will now be so much longer that the average investor, who is likely already overwhelmed with too much / too complex disclosures will now have more to read, so I fear many will "give up" and not read. Q#9-Thinking that auditors will now have to understand each of their clients' unique ways of accounting for transactions (rather than just confirming that they comply with prescriptive GAAP); this, combined with auditing lengthier footnote disclosures will result in more cost. Q#8-suggest delay if this "2011" decision date stays in the final proposal-not a lot of companies will "aggressively" move forward - especially in the current economic environment - until there is some high level of certainty that IFRS will happen. Q#6-influence will be reduced if it stays true to its own statements of complying with IFRS as issued by IASB; the moment there is one exception to this, watch out. Q#12-just don't fully know enough yet to understand exactly what will be affected in the tax area
20) Q5 -- Don't have enough familiarity with IFRS to comment on sufficiency of guidance. Q6 -- SEC impact will decrease on IFRS rules, but it remains to be seen how SEC will enforce IFRS for US filings. Q8 -- If not for adverse impact of conversion to LIFO, I would support current date. If this is going to be done and there were no adverse tax impacts, we should get on with it. Having two sets of rules to monitor is not productive. Q9 -- Initial audit costs to transition to IFRS will be significant. Ongoing costs should be about the same.
21) This is another non-productive, non-beneficial waste of time that will add costs/bureaucracy.
22) Caveat to #12 for LIFO- if IFRS stays as is then elimination of LIFO for book will be a big transition issue, especially since the tax issue has not been resolved yet with the IRS.
23) Question 9 - We expect audit costs to rise initially for the transition, but to moderate after the transition.
24) Horrible concept. Conversion to a loosely guided standard that is far more subjective than U.S. GAAP cannot result in improved comparability for shareholders! Additionally, just as with the SOX implementation, each audit firm will have its own interpretation of the standards, and consequently, audit costs will rise and comparability will fall.
25) We have not yet assessed the impact on taxes.