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April 19, 2009

To the Commissioner of Securities and Exchange Commission

Comment on File No. S7-27-08

International Financial Reporting Standards

Arguments For Adoption.

United States has a unique system of requiring financial reports from its businesses or registrants. Whereas most of the countries have a legal and statutory requirement to report financial information, US entities rely on generally accepted accounting practices which do not specifically originate from legislative enactment but rather come from the industry practice. Accepting international financial reporting standards will allow the United States to move closer to the dominant model of financial reporting world wide without surrendering to a supranational entity. Currently, there are three major accounting methods in use by US businesses: US GAAP financial reporting, Internal Revenue Code, and management accounting, all within the same and not separate business. All three need to be reconciled with each other and have not yet been uniformely applied by all US entities and all three may result in a different accounting balance whether in the balance sheet or in the income statement.

Accounting standards need to follow the developments in the general economy and need to be trusted by the end users or investors. Today, the investor base is much wider than in the past and financial transactions take place across borders and are based in the financial reporting infrastructure that is spanning both the geographic and time zones. Tying reporting standards to historical and traditional basis seems anachronistic and developments in technology do not leave much room for keeping financial records in antiquated systems that are patched and maintained off shore. Allowing IFRS opens financial standards to worldwide audience and allows transparency and standardization based on technology. One example, especially suited to IFRS is XBRL or extensible business reporting language. Slowly, the XBRL taxonomies make it into concrete financial applications. Ulitmately, an IFRS compliant balance should be made available to the investor for a drilldown to a specific transaction that results in that balance, easily explainable and without manual mappings and interfaces across disparate systems.

Adopting IFRS also offers an opportunity to participate in the international financial community not as hegemon, but as an equal member. In the past, the United States has often chosen the way of its own accounting tradition and was interested in spreading it to others especially when financial incentives were offered. This has often discouraged other governing bodies who were also trying to impose their own rules and regulations to the exclusion of other intiatives that although called international were only a disguise to a particular national financial interest. Since the IFRS has not been imposed or mandated by any souvereign entity, it's an opportunity to have an influence but not a dominating voice in how those regulations are shaped, not as a reaction to a missed opportunity to police, but as an opportunity to proactively prevent future scandals by providing rules and regulations that are understood world over and don't require reconciliations and reinterpretations of seemingly well undresstood terms like cash or fixed assets.

Any financial regulations, IFRS and GAAP included, in and of themselves do not prevent abuse and only literal adherence to the promulgations cannot eliminate the basic human behaviors driven by primitive needs of achieving maximum short term profits. What IFRS offers, but GAAP does not provide is the fairly democratic process of creating the standards and adhering to their spirit rather than technical compliance resulting in derailed and misleading financial results. As a user of the financial information and sometime creator, I can see the struggle of obtaining the best looking result to the detriment of the overall health of a given entitiy. Concluding that an enterprise is in financial jeopardy is often arrived at too late for an average investor to make an informed decision. Lack of transparency, despite attesting to the contrary, does not increase the level of trust among the investing public, especially among those who only passively set their resources aside via their retirement plans and similar devices. IFRS seems to offer easier to understand and simpler rules and having such an advanced economic entity as the U.S. as its adoptee will increase the level of trust that an international investing public needs to have before committing even more of their savings to vehicles that are easily understood and interpreted.

There have really not been any convincing arguments against IFRS and no rational calls for outright rejection, nor weaknesses given as to the merits of individual standards. Even extending the comment period seems to suggest that if not immediate then at least delayed adoption can be expected by the Securities and Exchange Commission. This is a valid consideration as most of the entities have invested substantial resources in compliance with existing standards and new legal requirement will initially increase the costs of implementation, both in actual filing and in converting existing reporting systems to the new standards. The application service providers also need a detailed roadmap with specific milestones as to when and how the date zero is arrived at.

We should also look at the scenario of not adopting IFRS in this country. We will continue issuing new SFAS and revising existing ones which will result in more technical guidance, but not necessarily allow prevention from another financial bubble forming and exploding. Meanwhile, our international partners, among which often more than 50% of revenue of the bluest of blue chip companies is procured, will continue with their adoption and adherence to IFRS. This will remove the foreign entities even further from a possibility to report their results and list on this country exchanges as they will be well underway in reforming and perfecting their compliance to the international standards. By staying with GAAP, which is not even a law or requires an act of Congress, the United States is risking of sliding into irrelavance and may actually lose its leadership as US GAAP becomes less and less aceptable beyond this country borders.