March 30, 2009

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

File Number S7-27-08

Re: Proposed Rule: Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards (IFRS) by U.S. Users

Dear Ms. Harmon:

As a student in the Master of Accountancy program at Duquesne University I appreciate the opportunity to discuss and comment on the proposed adoption of International Financial Reporting Standards (IFRS). I wholeheartedly agree that the proposal to adopt an international standard of financial reporting standards can only benefit the companies of the United States as well as its investors. The access to the additional capital available through the increased sale of securities on international markets as well the possibility of increased diversity for our investors can only be a boon for our currently depressed economy.

I have a number of concerns, however, about the manner in which the proposed convergence is taking place and applaud SEC Chairperson Mary Shapiro's extension of the comment period for the proposed roadmap. While we have seen significant progress in the joint co-operative projects of the IASB and the FASB there are still a number of milestones that remain incomplete, inlcuding;

- Accountability and Funding of the IASB Foundation
- Improvement in the Ability to Use Interactive DATA for IFRS reporting
- Education and training
- Auditing

One of the milestones that were to be addressed prior to the adoption of IFRS was an improvement of the funding and accountability of the IASB. The type of funding that the IASB receives has not changed (though it has increased the number of countries that have accepted and/or are adopting IFRS presumably increasing the funds that are available). The source of their funds is no more independent than when the roadmap was written. This causes a number of concerns. Without independent funding the IASB may in appearance or in fact allow the sources of its income to affect decisions concerning the development of accounting principles. Furthermore, with limited resources the priority of the principles that the IASB chooses to address may be affected by its sources of income. What will happen when a particular accounting issue arises in a limited geographic area? As the number of participating countries increases will the IASB be able to devote resources to making a determination of a standard to address a regional issue? At the same time, the affected country may receive too much or too little input into the standard setting process. With the global nature of IFRS the input of any single nation may not be enough to assert a change necessary for the standards to address issues that are arising in their own country. On the other hand, if a particular issue is important in one region at a particular time the number of comment letters received from that area may dictate the determination of the standard. Once awareness of the issue is found in other areas they may find after the fact that they disapprove of the IASB determination of the standard once it becomes an issue in their own market.

Another milestone that continues to need to be addressed is the improvement in the ability to use interactive data for IFRS reporting. I have been unable to find any documentation as to the increases in tags necessary to meet the SEC's goals in this area. This is an example of the aforementioned regional issue, and I hope the SEC is measuring the IASB's ability to meet the needs of the American market.

The education milestone is another milestone that has not been fully investigated. While many colleges and universities are increasing awareness about IFRS (it has been addressed in several of the courses I have taken here at Duquesne University) actual education as to its implementation are limited. Furthermore the certification process under IFRS remains unclear. The reluctance of some potential early adopters and the reluctance of the accounting community as a whole to become more informed about IFRS may be as a result of a lack of information as to the intention of the AICPA to certify public accountants on the basis of IFRS. Furthermore the education of users of financial information also appears to be an issue. I question if taxing authorities are ready to be able to accept financial information based on IFRS. There are a number of comment letters that have already voiced concern over the adoption of IFRS as it pertains to taxes in particular the tax treatment of the conversion from LIFO to FIFO and the potentially large increase in net income that is likely to result from the conversion. The education of bankers and vendors is also a concern. Financial institutions may not be educated enough to accept financial information based on IFRS. If they are reluctant to accept financial information based on IFRS or worse continue to require information that is familiar to them due to a lack of education about IFRS, it may result in the necessity of the preparation of two sets of financial statements. Given the current economic landscape the education of practicing accountants alone may prove to exceed the cost to benefit ratio add to that the potential cost of dual financial statement preparation (or preparation of a report to justify IFRS to GAAP) and the cost becomes prohibitive. Finally, as a student it seems to me that there should be sufficient certified educators able to teach IFRS to students prior to a full conversion to IFRS as the accepted standard for the United States of America. I believe that the relatively short timeline proposed by the roadmap are ambitious to say the least to accomplish the education necessary for the conversion from GAAP to IFRS. I believe that an extended timeline is necessary to accomplish the education needs for conversion to IFRS.

Another milestone which the roadmap points out is the ability of auditors to audit to IFRS. While it is the auditing companies that have lead the education of IFRS not all auditors have yet felt the need to obtain sufficient training in auditing financial statements prepared in accordance with IFRS. Additional guidance is necessary for auditors so they are better able to audit to not only the rule but also to test the financial statements to see if the pass the "smell test" that is necessary for them to meet the objective of the rule as well. SEC comment letters on financial statements prepared in accordance with IFRS have been very encouraging on this matter. Focusing more on sufficient disclosure than on technical compliance to a rule indicates that the SEC is very well prepared for the challenges of principle/objective based accounting standards. However, given the recent challenges of the auditing profession additional guidance is needed so that the auditing profession is equally able to meet the challenge. Due to the principle based nature of IFRS there is the possibility for a difference of opinion as to the practical application of the standards. While SOX gave the auditing profession significant improvement to the independence of auditors from management, the difference of opinion might decrease its effectiveness by inadvertently encouraging companies to shop for favorable interpretations of IFRS. Furthermore, multiple interpretations of the standards may result in increased litigation as a result of restatements. Finally, smaller auditing firms that currently lack experience in IFRS are at a severe disadvantage and may struggle to retain their current audit clients. If we allow for a more gradual convergence to IFRS these firms would not lose their competitive advantage and would benefit as additional guidance is developed over time.

I would like to point out that the SEC's own research of the adoption of a "principle-based versus a "rule-based" system of reporting revealed that neither system is without faults. A rules based system has been criticized as providing accountants with the information needed to avoid the purpose of the rule and that its complexity allows for too many exceptions to the rule. Principles-based accounting has been criticized for its inability to provide adequate framework for the practical application of the rule and therefore results in a lack of comparability between financial statements. In its study "Study Pursuant to Section 108(d) of the Sarbanes-Oxley Act if 2002 on the Adoption by the United States Financial Reporting System of a Principles-Based Accounting System" the SEC found that an objectives-based accounting system combined the strengths of both systems. Objective-based accounting allows for the practical application of the rules-based system while providing the general principle of the rule. I believe that objective based standards are the best route to achieving a less fallible set of standards. The co-operative projects that we have seen as a result of the work between the IASB and FASB seem to result in this type of accounting standard.

I am in complete agreement with the determination that converting to an international set of accounting standards is very important in this ever increasing global economy. However, a slower approach to convergence is necessary. An extension of the convergence timeline is appropriate and the best method for convergence with IFRS may be in fact to allow the FASB to continue the process of convergence through an increase in the number of co-operative projects with the IASB while the work on making the changes necessary to bring U.S. GAAP closer to IFRS continues. This will allow FASB to time releases of new standards in accordance with our ability to meet the demands of the changes. It will allow for the education and the easy adoption of the new standards by the financial community and taxing authorities. A convergence of the two standards will allow for a smoother transition for both the preparers, auditors and users of financial statements. Thank you for the opportunity to comment

Sincerely,

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