Raytheon

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

Re: File Number S7-27-08, Roadmap for the Potential Use of Financial Statements Prepared in Accordance With International Financial Reporting Standards by U.S. Issuers

Dear Ms. Murphy:

Raytheon Company appreciates the opportunity to review and comment upon the Securities and Exchange Commission's (the "Commission") proposed rule entitled, *Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards by U.S. Issuers* (the "Roadmap"). Raytheon, with 2008 sales of $23.2 billion, specializes in defense, homeland security, and other government markets throughout the world, providing state-of-the-art electronics, mission systems integration, and other capabilities in the areas of sensing; effects; and command, control, communications, and intelligence systems, as well as a broad range of mission support services. With headquarters in Waltham, Massachusetts, Raytheon employs 73,000 people worldwide.

We commend the Commission on its ongoing commitment to a strong, transparent, and robust financial reporting system for the U.S. capital markets. Raytheon shares this commitment and appreciates the Commission extending the comment period for the Roadmap, which has provided us and many other companies with additional time to reflect upon this important proposal. We also commend the Financial Accounting Standards Board ("FASB") and the International Accounting Standards Board ("IASB") for all their significant efforts to improve financial reporting standards world-wide and narrow the differences between generally accepted accounting principles in the United States of America ("U.S. GAAP") and International Financial Reporting Standards ("IFRS").

Overall, we agree that a single, high-quality set of accounting standards applied effectively and efficiently across all jurisdictions world-wide would intuitively have benefits for the global capital markets and U.S. investors. We also believe that IFRS is the most viable alternative to serve as this single world-wide set of accounting standards as it has already been adopted by over 100 countries. However, we would only support a transition to IFRS if the benefits of conversion outweigh the costs. We currently have concerns that, in total, the costs associated with a conversion to IFRS would outweigh the benefits to Raytheon's shareholders (as well as to U.S. investors generally). We discuss our detailed concerns about a transition to IFRS in our attached responses to specific questions raised in the Roadmap and have summarized those concerns below:

- ***Our unique regulatory environment*** – Raytheon, as a U.S. Government contractor, is subject to cost accounting regulations such as the Cost Accounting Standards ("CAS") and the Federal Acquisition Regulations ("FAR"), which provide specific rules regarding the measurement, accounting period assignment and allocation of contract costs. These rules, however, are not comprehensive sets of accounting rules. As a result, U.S. GAAP is applied to certain costs for cost accounting purposes, as well as for financial reporting. Thus, our underlying cost accounting records include a mix of costs based on CAS/FAR and U.S. GAAP. As a practical matter, we use U.S. GAAP for financial reporting purposes, with only minimal adjustments necessary to achieve full compliance with our CAS/FAR requirements. However, the adoption of IFRS and the inherent differences between IFRS and cost accounting regulations would generate additional complexities and cost to us and other U.S. Government contractors due to an increase in the number and complexity of the adjustments that require maintenance of separate accounting records.
- ***Our unique legal environment*** – We are concerned that the adoption of IFRS in the U.S. would potentially result in increased audit costs and legal defense costs due to the litigious nature of the current U.S. legal environment. In theory, a principles-based system should consistently report similar transactions based on their underlying economics. However, the increased judgment prevalent in IFRS would potentially permit a number of different accounting alternatives for similar situations. We are concerned that this could increase second-guessing by shareholders, litigants, and others leading to increased audit costs to gain comfort with the chosen alternative, and ultimately leading to increased costs to defend the chosen alternative. We believe that this "second-guessing", while relevant in other jurisdictions, would be far more significant in the U.S. due to the litigious nature of our unique legal environment.
- ***Reduced comparability due to lack of industry guidance*** – We are concerned that IFRS may reduce transparency in industry disclosures and lead to a reduction in comparability between companies because it provides less prescriptive or less complete guidance than current industry requirements. Within our industry, the disclosure requirements under U.S. GAAP, as required by the AICPA Audit and Accounting Guide for *Federal Government Contractors*, are currently more robust than those required and used in practice under International Accounting Standards ("IAS") 11, *Construction Contracts*. As anecdotal evidence, we often find it easier to understand the accounting policies and detailed disclosures in the annual reports of our U.S. peer group using U.S. GAAP than the policies and disclosures of our world-wide peers using IFRS even though the underlying business models of both sets of peers are substantially similar. We are concerned that this reduction in comparability would not be unique to our industry and, if widespread across a number of U.S. industries, would be a significant cost broadly impacting U.S. issuers. In addition, we have had discussions with a number of our investors and analysts who follow Raytheon regarding IFRS and they have expressed concerns about a conversion to IFRS. They indicated that a conversion to IFRS could result in confusion over reported results and would require a significant effort to understand the results and to adjust their models for the changes. In addition, investors and analysts would likely need significant assistance to make necessary adjustments to improve the comparability of companies as they may not have the same accounting for similar transactions under IFRS. As a result, the investors and analysts with whom we spoke generally were not supportive of adopting IFRS unless IFRS offered a clear and substantial advantage over U.S. GAAP due to the potential confusion and additional costs they would incur. Thus, to the extent that the Commission has not done so already, we recommend that it review and consider, on an industry-by-industry basis, the impact on financial reporting comparability of adopting IFRS.

- ***Loss of control over standard-setting process*** – Currently the FASB, under the oversight of the U.S. Congress and the Commission, has primary control over the U.S. accounting standard-setting process. Following conversion to IFRS, the U.S. would no longer have such control and would be only one of numerous constituents of the IASB. Accordingly, under this structure, the Commission's ability to effectively represent U.S. issuer, investor, and market interests in accounting standard development for the U.S. market would likely be reduced as compared to its current role. In effect, the Commission's ability to respond to accounting issues would be based upon its ability to convince the IASB to act in a manner aligned with U.S. needs. Given the very unique legal and regulatory environment in the U.S., numerous instances may arise in which U.S. interests are not completely aligned with those of other IASB constituents.
- ***Complexity of costs may exceed the Commission's current estimates*** – The estimation of potential conversion costs is very difficult and requires a thorough understanding of all the aspects of a successful transition to IFRS. We applaud the Commission for attempting to estimate these costs, and agree with the overall estimation approach (i.e., begin with actual conversion costs from other countries' transitions and layer on additional items specific to the U.S., such as the expected costs based on our control environment). However, we are concerned that the current estimates may not have included all of the aspects necessary for conversion in the U.S., specifically the increase in litigation and regulatory compliance costs discussed above as well as increased investor costs to remodel all companies under IFRS. In addition, there are a number of convergence projects that are pending and the uncertainty around the resolution of these projects adds to the difficulty of estimating the costs to convert. If the ultimate accounting requirements of these projects differ significantly from U.S. GAAP requirements, the conversion cost estimates could be significantly understated.

Because of these concerns, we believe that the Commission, the FASB, and the IASB should first continue their efforts in accounting standard convergence, which we believe will address a number of these concerns and at the same time, improve financial reporting rather than supporting a mandated conversion. We believe successful completion of the convergence efforts will help produce the best quality global accounting standards and help minimize future conversion costs for U.S. entities to a future set of global standards. Convergence would allow additional consideration of whether full conversion is needed in the future and whether it would be cost-beneficial for the U.S. market.

While we believe convergence should be achieved before considering a mandated conversion, if the Commission were to move forward on the Roadmap as proposed, we would recommend the Commission consider the following points:

- ***Measurement of milestone progress*** – We believe clarification of progress on the milestones discussed in the Roadmap is necessary for companies to plan for a successful implementation of IFRS. For example, progress on the projects in the 2006 IASB and FASB-issued Memorandum of Understanding ("MoU") detailing the scope of their joint work program to improve and promote convergence of their standards, as well as the other FASB and IASB joint projects, must be communicated on a periodic basis in order for U.S. issuers to create and adjust their implementation plans. The current MoU is expected to conclude in 2011; however, the Roadmap does not provide U.S. issuers with information on how interim progress will be evaluated and if there is a contingency plan should the convergence projects not be completed within the documented timeline. Also, while we believe the International Accounting Standards Committee Foundation has made significant progress in addressing its governance and funding issues, specifically with the formation of the Monitoring Board, more time and clarification is needed to determine the effect that the Monitoring Board will have on the accountability of the IASB. We recommend that the final Roadmap include a discussion on how each milestone will be evaluated and the impact milestone delays will have on the mandatory adoption dates.

- ***Deferral of the transition date*** – We feel a transition start date of 2016 or beyond would allow for a more natural and gradual IFRS implementation, as well as allow for the current convergence projects to be completed without the unnatural pressures of the current imposed timeline.
- ***Coordinate with the FASB and other regulatory bodies*** – The adoption of IFRS by only public companies will reduce the comparability with their private company peers and may have an effect on companies' decisions to transition from a public company to a private company or vice versa. Also, the increased costs expended by public companies to implement IFRS at acquired private companies may increase the costs of acquisitions in the U.S. market. We believe the Commission should work with the FASB and all regulatory bodies (e.g., Cost Accounting Standards Board, FAR Council, Internal Revenue Service, etc.) in order to commit to an IFRS transition plan for all financial reporting purposes (i.e., private, public, regulatory) to the extent possible.
- ***Implement a stable platform during conversion*** – We believe that a "stable platform" (i.e., one free from contemporaneous standard setting) should be implemented during the transition to IFRS. A stable platform during this period will allow U.S. issuers to focus their accounting resources on those convergence projects and IFRSs proposed and adopted prior to our conversion date. Continual adjustments to IFRS would add complexity to the transition and ultimately increase conversion costs.
- ***Definition of the future role of the FASB*** – We believe the benefits of two robust accounting standard setters may not have been completely considered as a viable alternative to one global standard setter. The insight gained by both the FASB and IASB through the current convergence projects has significant value that we believe will be lost in an IFRS conversion, as the IASB currently appears to be the only planned remaining standard setter. We recommend the Commission define the FASB's future role in the standard-setting process following conversion.

These concerns and others are discussed in detail in Attachment I of this comment letter. We believe these topics should be reviewed in more depth by the Commission before a final Roadmap can be considered and ask the Commission to continue to research the costs and benefits in a transition from U.S. GAAP to IFRS.

For the convenience of the reader, we have included the selected original Roadmap questions in Attachment I preceding our response to that question. Thank you for your attention and consideration of our comments. If you should have any questions, please feel free to contact me at 781-522-5833.

Respectfully,

Michael J. Wood

Michael J. Wood
Vice President, Chief Accounting Officer

Cc: Chairman Mary L. Schapiro
Commissioner Luis A. Aguilar
Commissioner Kathleen L. Casey
Commissioner Troy A. Paredes
Commissioner Elisse B. Walter
James L. Kroeker, Acting Chief Accountant
Shelley Parratt, Acting Director, Division of Corporation Finance

**1. Do commenters agree that U.S. investors, U.S. issuers and U.S. markets would benefit from the development and use of a single set of globally accepted accounting standards? Why or why not? What are commenters' views on the potential for IFRS as issued by the IASB as the single set of globally accepted accounting standards?**

Intuitively we agree a global accounting standard would be useful and valuable. Previous IFRS adopters benefited from improved access to international capital markets, simplified cross-border transactions, and uniform financial reporting requirements. These IFRS adopters often utilized accounting models originating from tax requirements or localized accounting standards that were less sophisticated than IFRS. In addition, the markets they could access with their home-country GAAP were limited. In these circumstances, adopting IFRS appeared a much more attractive option than maintaining home-country accounting standards.

The U.S. market, however, poses a number of potentially problematic challenges different than those encountered by previous countries that adopted IFRS. Our mature U.S. GAAP accounting has evolved over 75 years from our unique regulatory, market, and legal environment. The accounting profession's early standard-setting attempts were rooted in defining acceptable methods of accounting, rather than in promoting consistency. Ultimately, this principle-based guidance was criticized for permitting a wide range of accounting alternatives and fostering a lack of financial reporting comparability, as well as for generating conflicts with the Commission. For example, ARB Opinion No. 9, *Reporting the Results of Operations* was in conflict with the Commission's views regarding alternative earnings per share calculations and therefore eventually replaced with ARB Opinion No. 15, *Earnings Per Share*, to align with the Commission.

The 1972 *Report of the Study on Establishment of Accounting Principles* (commonly referred to as the "Wheat Committee Report" prepared at the request of the American Institute of Certified Public Accountants) clearly recommended formation of an organization devoted towards fundamentally narrowing accounting alternatives with the ultimate objective of improving financial reporting. This study resulted in the formation of the Financial Accounting Standards Board (the "FASB"), partly to provide accounting guidance for increasing complex transactions, but also to encompass the needs of all constituencies. In our view, although clearly far from perfect, U.S. GAAP embodies the most comprehensive evolution of accounting thought and has generated a high degree of financial reporting credibility with U.S. investors, issuers, and markets.

The litigious nature of the U.S. legal environment also impacted accounting standard development. While the precise impact of our litigious society on the U.S. economy may be disputed, a 2005 Towers Perrin Tillinghast study, *U.S. Tort Costs and Cross-Border Perspectives,* reports that U.S. tort costs as a percentage of GDP are significantly higher compared to other industrialized nations. Other studies examining why the U.S. legal system is internationally criticized compared the U.S. legal environment to others sharing a similar common-law structure (e.g. United Kingdom) and concluded there were several features specific to the U.S. that encouraged litigation.

Former Chief Accountant of the Commission, Walter P. Schuetz, raised this point in his 1993 speech, *The Liability Crisis in the U.S. and Its Impact on Accounting*. Therein, Mr. Schuetz expresses the opinion that ambiguous accounting standards were partly the cause for the 1980s savings and loan debacle and accounting-related litigation - not audit failure. Furthermore, he cautioned against general rules and application of too much judgment as reducing comparability in favor of specific rules and "clearly articulated standards." Concern existed then, as it does today, that a principles-based system such as IFRS could expand the threat of litigation within the U.S., making general principles-based standards possibly incompatible to our current environment without tort reform.

We are concerned IFRS is a relatively new body of literature that has not been tested to the same extent as U.S. GAAP. Presuming accounting should be consistent for similar facts and circumstances, IFRS does not contain the substantive guidance to achieve reasonable consistency within industries and thus has the potential to frustrate U.S. markets and investors by fostering financial reporting diversity. Further, our experience with the evolution of U.S. GAAP clearly indicates that when faced with similar pressures from issuers, regulators, and markets, it is highly likely that IFRS will need to evolve to include more detailed guidance for the U.S. markets.

We are similarly concerned the control the Commission will concede over the accounting standard-setting process after IFRS adoption. Currently the FASB, under the oversight of Congress and the Commission, has control over the U.S. accounting standard-setting process, adapting U.S. standards quickly as circumstances require. The adoption of IFRS will result in the U.S. being only one of numerous constituents of the International Accounting Standards Board ("IASB"). Transition to IFRS might hinder the Commission's ability to effectively represent U.S. issuer, investor, and market needs, including potentially decelerating the timely creation or modification of appropriate accounting standards. In effect, the ability to respond to accounting issues would be constrained by the ability to convince the IASB to act in a manner aligned with U.S. needs. Given the very unique legal and regulatory environment in the U.S., it may be often that U.S. interests are not aligned with those of other IASB constituents.

Finally, U.S. transition costs to IFRS may exceed any potential benefits for many U.S. registrants. The Commission's own estimate of costs to U.S. Companies to convert is high. We believe these estimates do not fully take into account the potential cost impact from information technology systems changes (for example, the currently unknown system changes resulting from the expected revenue recognition standard); process and controls changes including required training (driven by our unique Sarbanes-Oxley requirements); and other costs (such as maintaining separate regulatory reporting, which today generally follows U.S. GAAP). Because IFRS is very principles-based and provides little implementation or industry-specific guidance, it could also generate consequences and costs (including future potential litigation) which are currently difficult to identify or quantify.

In addition to U.S. registrant costs, there may also be an increase in costs to U.S. investors. In recent conversations with some our analysts who follow our Company, they stated concern over the potential costs to remodel all companies under IFRS, including the training costs to learn a new accounting language. As a result, they were generally opposed to adopting IFRS unless it would result in substantial benefits.

Because of these concerns, we recommend the Commission consider how the costs and benefits of mandating of the Roadmap transition to IFRS would compare to continued convergence efforts. We believe the U.S. currently has a robust and well understood financial reporting framework. We also believe the benefits of two global standard-setting organizations working toward convergence may have benefits over having only one standard-setting organization. Both the FASB and the IASB have gained tremendous insight and value from each other. Although it is difficult to determine the impact this diversity has had on improving both major accounting standards, it appears to us the impact has been positive. The convergence strategy has, so far, yielded a number of improved standards for both U.S. GAAP and IFRS. Assuming progress on the convergence work plan continues, the goal of promoting uniformity could, in substance, be achieved through convergence rather than what we see as a higher risk conversion strategy.

In summary, it is difficult to see the benefits outlined in the Roadmap as significant for Raytheon. We also believe the costs in transitioning to IFRS will potentially be in excess of the Commission's current estimates. Therefore, we believe it is better for the Commission to maintain control over the U.S. standard-setting process in the near-term while working with the FASB and IASB to support convergence as a viable alternative to conversion.

**2. Do commenters agree that the milestones and considerations described in Section III.A. of this release ("Milestones to be Achieved Leading to the Use of IFRS by U.S. Issuers") comprise a framework through which the Commission can effectively evaluate whether IFRS financial statements should be used by U.S. issuers in their filings with the Commission? Are any of the proposed milestones not relevant to the Commission's evaluation? Are there any other milestones that the Commission should consider?**

If the Commission were to choose IFRS conversion over convergence, we believe the Commission should clarify its planned actions to measure progress toward the milestones so that the 2011 decision is objective and transparent, which are necessary to make real-time adjustments to our IFRS implementation plan. There is insufficient information on how interim progress on the IASB/FASB joint work plan will be evaluated and whether the Commission would consider making a decision in 2010 if critical projects are lagging behind initial targeted milestones. Of particular concern is the timing of the revenue recognition standard, which could have an impact on companies such as ours who use percentage-of-completion accounting under AICPA Statement of Position 81-1, *Accounting for Performance of Construction-Type and Certain Production-Type Contracts,* for revenue recognition.

The Roadmap does not provide any incentive for our Company to early adopt IFRS in the context of improved transparency to investors, access to capital, more robust accounting, or improved financial statement clarity. In fact, when we consider our current disclosures, we believe they are superior to those that would be required under IFRS (specifically IAS 11 or IAS 18 for revenue recognition). We also believe the Commission should consider setting milestones which measure how prepared other regulatory agencies and their related accounting requirements are for a conversion to IFRS. U.S. Government contractors are subject to cost accounting regulations which include rules for the measurement, accounting period assignment, and allocation of contract costs. However, these rules - the Cost Accounting Standards("CAS") and the Federal Acquisition Regulations ("FAR") - are not comprehensive sets of accounting rules, so U.S. GAAP is applied to certain costs for both financial reporting and cost accounting purposes. Thus, an organization's underlying cost accounting records include a mix of costs based on CAS/FAR and U.S. GAAP. As a practical matter, companies generally use these underlying cost accounting records for their financial reporting purposes, with minimal adjustments during the consolidation process to achieve full compliance with U.S. GAAP. As detailed below, adoption of IFRS would generate additional complexities and cost to U.S. Government contractors because of the requirement to simultaneously comply with the aforementioned accounting regulations.

First, there are a number of areas in CAS and FAR requiring the use of specific U.S. GAAP, such as Statement of Financial Accounting Standards (SFAS) No. 106, *Employers' Accounting for Post Retirement Benefits Other Than Pensions*, and SFAS No. 13, *Accounting for Leases*. These references to U.S. GAAP would need to be revised in CAS and FAR. Because not all U.S. companies would be required to adopt IFRS, references to U.S. GAAP cannot simply be replaced with references to IFRS. So it is unclear how the promulgation bodies for CAS and FAR could revise the rules to achieve consistency for cost accounting.

Second, several IFRS accounting areas could not be adopted to accommodate the cost accounting requirements of U.S. Government contractors because of direct conflicts with the regulatory requirements. This expansion of the number of differences between financial accounting and cost accounting, such as adjusting assets to fair value and capitalization of research and development costs, would likely require U.S. Government contractors to incur additional costs to modify existing business processes, controls and information technology systems to maintain separate financial accounting and cost accounting records.

Third, adoption of IFRS would result in changes to accounting practices for the measurement, assignment, and/or allocation of costs for cost accounting purposes. There are specific rules in CAS and FAR regarding changes to any accounting practice that impact costs charged to U.S. Government contracts. Adoption of IFRS could have an impact on costs allocated and charged to U.S. Government contracts. Therefore, we believe that the Commission should not move forward with mandatory adoption of IFRS unless steps are taken to more fully research these potential changes.

In summary, the identified milestones do not address the Commission's planned actions to measure progress by the key regulatory bodies (Internal Revenue Service, the Cost Accounting Standards Board, the Federal Acquisition Rules Council, and other Governmental agencies) to update regulations that impact companies' accounting practices and related information systems. Although changes to U.S. industry accounting guides are discussed in general terms in the Roadmap, a comprehensive plan is needed to ensure companies can integrate the guides into their overall IFRS implementation plan.

**4. What are commenters' views on the mandated use of IFRS by U.S. issuers beginning in 2014, on an either staged transition or non-staged transition basis? Should the date for mandated use be earlier or later? If the Commission requires the use of IFRS, should it do so on a staged or sequenced basis? If a staged or sequenced basis would be appropriate, what are commenters' views on the types of U.S. issuers that should first be subject to a requirement to file IFRS financial statements and those that should come later in time? Should any sequenced transition be based on the existing definitions of large accelerated filer and accelerated filer? Should the time period between stages be longer than one year, such as two or three years?**

If the Commission were to move forward with the Roadmap as outlined, we believe a transition start date after 2016 would be more appropriate. Given the large number of changes between U.S. GAAP and IFRS to be considered, along with the transition costs, including training and information technology system costs, we believe 2014 is too soon. The additional time would allow for changes to be implemented more gradually and naturally and reduce average transition costs. Also, a transition date after 2016 would permit more work to be completed on convergence between U.S. GAAP and IFRS, which would also minimize conversion costs. We agree with a staged transition beginning with larger companies, but additional consideration should be given to the effect on other regulatory agencies as discussed above.

Another aspect of the transition we feel should be reviewed is the impact IFRS will have on private companies. The transition to IFRS by public companies will have a negative impact on comparability with our counterparts in private industry. Were the Commission to mandate the adoption of IFRS, some consideration should be given toward allowing all companies, public and private, the ability to transition to IFRS. It appears illogical to require private companies to apply more detailed accounting standards than public companies. It also seems illogical that a company's transition from being private to public or vice versa should drive dramatic changes in accounting and thus large costs related to changes in controls, information technology systems, and training. Also, the additional costs required to transition an acquired private company to IFRS may reduce the number of acquisitions in the U.S. capital market. We recommend the Commission coordinate with the FASB and other relevant agencies to address these issues.

**5. What do commenters believe would be the effect on convergence if the Commission were to follow the proposed Roadmap or allow certain U.S. issuers to use IFRS as proposed?**

The process of the FASB and IASB to jointly eliminate differences, originally termed "harmonization" and now termed "convergence" focused on high-quality standard development. This approach was designed to resolve differences involving some of the most complicated accounting areas (e.g., revenue recognition, lease accounting, financial statement presentation, etc.) as described in the 2006 IASB and

FASB-issued Memorandum of Understanding ("MoU"), detailing the scope of their joint work program to improve and promote convergence of their standards.

The fact that the MoU's scope has already been reduced in an attempt to achieve the 2011 transition causes us concern that the emphasis has shifted to maintaining schedule, rather than high-quality standard development. The topics identified in the MoU are too important to address in a hasty or truncated manner. The Roadmap currently targets schedules which we believe will be difficult to meet. Also, the ability for all users of financial statements, including U.S. issuers, auditors and investors, to absorb and react to the differences between the current guidance and the converged standards should be included in the convergence timeline. We believe that the understanding of these converged standards will be diminished if this review phase is not incorporated into the timeline. We thus support convergence with an extended and realistic timeline, to achieve meaningful and enduring improvements to current accounting standards before any transition to IFRS.

**8. Would a requirement that U.S. issuers file financial statements prepared in accordance with IFRS have any affect on audit quality, the availability of audit services, or concentration of market share among certain audit firms (such as firms with existing international networks)? Would such a requirement affect the competitive position of some audit firms? If the competitiveness of some firms would be adversely affected, would these effects be disproportionately felt by firms other than the largest firms?**

Since the U.S. market has consistently shown a bias towards more detailed standard setting, we are concerned the current IFRS standards will have to expand substantially or U.S. issuers and auditors will search for alternatives to fill the void from the lack of guidance. All of the major accounting firms currently have very detailed interpretations on how to apply IFRS standards and U.S. issuers will likely have to increase reliance on the major accounting firms for detailed guidance. We believe in aggregate this will negatively impact costs and overall financial reporting comparability. It is not abnormal for the major firms to have different interpretations on certain key accounting issues under IFRS. We believe dependence upon accounting firms to provide detailed guidance is inferior to reliance on an established organization that embodies due process and independence (such as the FASB). Overall, we believe audit costs will increase as the accounting firms will need to re-coup their investments to retrain their partners, managers and staff on IFRS. We also believe that firms with little international presence could be disadvantaged in the market.

**9. What are commenters' views on the IASB's and FASB's joint work plan? Does the work plan serve to promote a single set of high-quality globally accepted accounting standards? Why or why not?**

**10. How will the Commission's expectation of progress on the IASB's and FASB's joint work plan impact U.S. investors, U.S. issuers, and U.S. markets? What steps should be taken to promote further progress by the two standard setters?**

We have reviewed the IASB's and FASB's joint work plan and concur that many of the standards included therein are worthy of improvement, and we commend both the FASB and IASB for addressing those standards. However, the MoU envisions addressing several complex accounting topics (e.g., revenue recognition, lease accounting, financial statement presentation, etc.) in a compressed timeframe, which raises doubts that the schedule is achievable without scope reductions. The Roadmap is currently very schedule-focused rather than detailed milestones-focused, and the aggressive schedule could result in deferring difficult accounting decisions instead of addressing them adequately. For example, the IASB's decision to exclude lessor accounting from the leasing project does not align with the FASB's intention to include lessor accounting on the same project. Careful and constructive project development will yield better results, rather than de-scoping projects and deferring resolution of complicated issues to satisfy a schedule. It may also reduce conversion costs, including those related to information technology systems implementations, changes in controls, and the related training costs. We recommend that the

Commission work to establish clearer milestones with the FASB and IASB on how to evaluate the quality and usability of any new accounting standards before implementing the Roadmap as proposed. We strongly support an extended and realistic timeline to achieve meaningful and enduring improvements to our current accounting standards.

**12. What are investors', U.S. issuers', and other market participants' views on the resolution of the IASB governance and funding issues identified in this release?**

We believe resolution of the IASB's governance and funding issues is critical prior to contemplating adopting IFRS. The recent issues on fair value accounting have questioned the IASB's independence and its ability to withstand external intimidation. We underscore these questions by citing the December 27, 2008 Washington Post article, *Accounting Standards Wilt Under Pressure.* In this article, Sir David Tweedie, Chairman of the IASB, recognized the IASB "needs more protection from political manipulation before it can claim that it has become the global gold standard." While we recognize the progress the IASB has made on this front, specifically the creation of the Monitoring Board, it appears that some work still lies ahead to ensure the IASB is a truly independent organization.

**14. Are there any other significant issues the Commission should evaluate in assessing whether IFRS is sufficiently comprehensive?**

We believe the Commission must evaluate whether IFRS is "sufficiently comprehensive" in terms of its responsiveness to industry-specific issues and disclosure quality, which both ultimately measure whether IFRS yields greater financial reporting comparability than U.S. GAAP. Given that many countries have maintained a "national flavor" in implementing IFRS, we are concerned a U.S. transition to IFRS would simply generate another IFRS "flavor" rather than achieve comparability. This inherent flexibility of IFRS permits multiple allowed accounting conclusions across similar fact patterns; that flexibility is untested on a U.S. companies and their auditors, as well as regulators in our contentious legal environment. Improved comparability is often claimed as the by-product and primary benefit of a single accounting framework. However, IFRS would yield less financial reporting comparability amongst the companies within our industry because it provides less prescriptive or a complete lack of guidance. The disclosure requirements under U.S. GAAP for our industry, as required by the AICPA Audit and Accounting Guide for *Federal Government Contractors*, are currently more robust than those required and used in practice under IAS 11, *Construction Contracts*. We thus believe the Commission should more fully study and consider the impact that adopting IFRS will have on financial reporting comparability and disclosures on an industry-by-industry basis.

**29. Should we limit the first filing available to an annual report on Form 10–K, as proposed? If not, why not? Is the proposed transition date of fiscal years ending on or after December 15, 2009 appropriate? Should it be earlier or later, and why? What factors should be considered in setting the date?**

We agree the first filing under IFRS should be an annual filing. However, if the Commission moves forward with the Roadmap as proposed, the will be a need to educate investors earlier than the first time we file full IFRS financial statements; as a result, voluntary disclosure prior to full conversion to IFRS appears necessary. We recommend the Commission consider how voluntary disclosure information would be provided and filed. We specifically recommend that it be provided as furnished information in a Form 8-K or equivalent and presented at a summary level, rather than via a full compliment of financial statements. We also believe the Commission should seek out investor views as to what level of information is desirable. As a start, we believe the minimum level of detail required in the five-year table (Selected Financial Data) disclosures per Rule 301 of Regulation S-K would be helpful information to investors.

**30. Are there any considerations that may make it difficult for an eligible U.S. issuer to file IFRS financial statements? Are there considerations about filing IFRS financial statements that would weigh differently for an eligible U.S. issuer than they would for a foreign private issuer that files IFRS financial statements?**

We believe regulatory requirements (as discussed in our response to Question 2), if unchanged, could cause our company to continue to track our financial results in U.S. GAAP on a separate ledger. This appears to indicate that at least some U.S. companies would incur additional costs if required to file IFRS financial statements.

**31. What difficulties, if any, do U.S. issuers anticipate in applying the requirements of IFRS 1 on first-time adoption of IFRS, including the requirements for restatement of and reconciliation from previous years' U.S. GAAP financial statements?**

The transition requirements of IFRS 1, *First-time Adoption of International Financial Reporting Standards* ("IFRS 1") and concurrent decisions need to be considered to minimize costs and accounting variability. Should the Commission move forward with the existing Roadmap, it is our suggestion that IFRS 1 be modified to allow the option of prospective, rather than retrospective, implementation of the new accounting standards. IFRS 1 was written to ensure comparability upon adoption in the European Union and we recommend further evaluation of whether U.S. constituents would maintain or increase financial reporting comparability upon adoption.

For example, if the revenue recognition project were to be completed by the joint Boards in 2011, it is unlikely that companies would be able to make all the system modifications in 2012 to report under that new standard. Therefore, it appears likely that the IASB would have to require prospective implementation of this standard starting no earlier than 2013. If that were the case and the Commission retained its deadline for 2014, current IFRS companies would report 2012 financial results using the existing revenue recognition standards (IAS 11 and IAS 18) and would use the new standard for 2013 and 2014. However, U.S. companies would have to retroactively restate 2012 financial results in order to comply with the three-year income statement requirements of Rule 3-02 of Regulation S-X and IFRS 1, which would render their financial statements incomparable to those of their IFRS peers. This would be a large undertaking without allowing U.S. issuers to show two years of financial information in their first IFRS financial statements.

**56. Should the Commission address the implications of forward-looking disclosure contained in a footnote to the financial statements in accordance with IFRS 7? For example, would some kind of safe harbor provision or other relief or statement be appropriate?**

We believe the Commission should adopt a safe harbor provision or provide similar relief because similar forward-looking information about market risk inherent in derivative and other financial instruments provided in response to Item 7A of Form 10-K for U.S. issuers and Item 11 of Form 20-F for Foreign Private Issuers is currently covered under the Private Securities Litigation Reform Act safe harbor. The failure to provide similar relief to forward-looking information provided in response to IFRS 7 would potentially expose issuers to a greater risk of litigation regarding such information and could cause issuers to be reluctant to provide such information. This result would be inconsistent with the Commission's expressed desire for greater transparency in the areas covered under IFRS 7 and the desire for issuers to provide meaningful forward-looking information where applicable.

**67. Do you agree with our assessment of the costs and benefits as discussed in this section? Are there costs or benefits that we have not considered? Are you aware of data and/or estimation techniques for attempting to quantify these costs and/or benefits? If so, what are they and how might the information be obtained?**

We applaud the Commission for making a sincere effort in estimating the IFRS conversion costs. Also, we agree with the estimation approach of using the Institute of Chartered Accountants of England and Wales ("ICAEW") report on the European Union ("EU") IFRS implementation costs as the baseline, and then increasing these estimates based on items specific to U.S. issuers. However, after careful study of the ICAEW report and the Roadmap, we believe certain costs have not been incorporated in the estimate of 0.13% of annual revenue. The ICAEW report lists ten cost headings, and while we agree that most of the items necessary to a successful IFRS implementation are included, such as the development of an IFRS project team, software and systems changes, increased external audit costs and staff training costs, we believe two major areas may not be included. The first is the additional litigation cost which may arise from the transition to a principles-based system. As noted above in our response to Question 1, U.S. tort costs as a percentage of GDP are significantly higher compared to other industrialized nations. We believe that a transition to IFRS, without significant tort reform, may exacerbate this situation. The second area where we believe additional costs have not been estimated relate to government compliance, such as maintaining separate regulatory reporting, which today generally follow U.S. GAAP. Given the current Roadmap timeline, various U.S. Government agencies may not be prepared for a transition to IFRS, and while this amount may not currently be quantifiable, it may increase the expected costs of conversion.

Another significant aspect that we believe should be incorporated into the Roadmap is that enough time for a stable platform (i.e., one free from contemporaneous standard-setting) is provided in the time leading up to implementation. Due to the compressed timeframe, companies will be competing simultaneously for skilled IFRS resources, technical support, and technology consultants which may result in increased costs. In essence, companies will be attempting to hit a dynamically moving target and the continual adjustments (for example, the currently unknown system changes resulting from the expected revenue recognition standard) may ultimately increase conversion costs. The stable platform of standards for the EU implementation of IFRS on January 1, 2005 was March 31, 2004, or approximately nine months. Based on the current convergence timeline, U.S. issuers would have a stable platform of six months (e.g., the proposed revenue standard is expected to be adopted in June 2011, with U.S. implementation of IFRS to occur at January 1, 2012 for large accelerated filers). We understand the difficulty in estimating an appropriate period for a stable platform, but based on the previous amount of time allowed for other countries' implementations, along with the fact that future proposed standards may create additional changes previously not dealt with by other countries, we do not believe the current Roadmap provides enough time of a stable platform to ensure a successful and efficient transition to IFRS.

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In conclusion, we appreciate the Commission's efforts to quantify the costs to convert to IFRS. However, after review of the ICAEW report as well as the additional cost assumptions discussed in the Roadmap, we believe further study should be performed by the Commission to allow for companies to gain a better understanding of the conversion costs and thus make a better determination that the benefits of an IFRS transition outweigh the costs.