Dear Ms. Harmon,

Re.: File Number S7-27-08
Release Nos. 33-8982; 34-58960
ROADMAP FOR THE USE OF FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL RE-PORTING STANDARDS BY U.S. ISSUERS

After reviewing the SEC's proposed Roadmap for the use of financial statements prepared in accordance with International Financial Reporting Standards (IFRS), I support the action of the SEC to convert to one global accounting standard, but disagree with the proposed timing, costs, and estimates put forward by the Commission.

The Commission leads the way in shaping regulations and policy, and as such directly impacts both US and global markets with their decision-making. As such, I believe that, within time, adoption of one global accounting standard will ultimately prove to be the most beneficial to preparers, auditors, and end users of financial information. It is for this reason that I welcome the SEC's proposed initiative to require US companies to use international financial standards. Requiring one set of standards allows for more comparable statements submitted to the financial markets which have become increasingly global in the past 20 years. Greater comparability between companies within industries, and also across industries and cross-border is a desirable goal worth pursuing.

However, I believe the roadmap the Commission has proposed could become a hindrance to the goal of convergence, as many timing issues appear to arise that could cause increased confusion within the markets, rather than providing more robust, transparent statements. In addition, proposed estimates and costs may be misleading and may represent be a step backwards when implementing convergence. Though I do not comment on every question raised within the Roadmap, here are some issues I would like to address:

The Convergence to International Standards

As I already mentioned, I believe the convergence to a global, singular accounting standard is inevitable and, when finally complete, will provide for the more meaningful standards that can be relied upon by all users of financial statements. As such, it is only logical for the SEC to begin moving towards the eventual convergence of US GAAP with some kind of international standards, i.e. IFRS. IFRS are more objective-oriented as opposed to the rules-based accounting standards which exist in current US GAAP. Currently, preparers and auditors of financial information have become far too reliant on "bright-line" accounting, stemming from strict interpretations of rigid rules, to govern their actions, and many times miss or avoid the true economics of transactions. This often leads to transactions being engineered to meet certain standards requirements, but also mask the true intent of the operations. This can result in misleading financial information, which both holds true to accounting standards, and deceives end users. By capturing the intended objective of standards, financial statement preparers are able to provide a more accurate depiction of economic results.

In addition to the increased transparency of financial data, IFRS provides a gateway to more comparable and consistent statements. IFRS already hosts a significant number of countries under their banner, resulting in more reliable and comparable data across borders and industries. As such, markets which are becoming much more dependent on global financing benefit from information which is prepared and presented in the same manner by all companies. It is for these reasons that IFRS appears to be the most logical and correct international standard for US firms to adopt.

Proposed Staged Approach to Transition

This proposed staged approach which the Commission has outlined extensively seems logical at first. However, the true impact of converging to international standards cannot and will not be felt until there is a full convergence. These stages of transition are obviously designed to allow for monitoring the impact of IFRS on US firms and control the release of financial information going forward. Though well-intentioned, this staged approach may prove to be ineffective and confusing, as reported financial information will be part GAAP, part IFRS, which could result in less comparability than before.

By requiring certain sized firms to release financial statements in stages, this partial IFRS-prepared financial statements leads me to believe that during these years of transition, comparability within the markets may be harder to accomplish. With some firms still releasing information in US GAAP, and others presenting it under IFRS standards, end users may be at a loss to interpret it. Even sophisticated users may find it difficult to translate statements into one format (either US into IFRS or IFRS back into US) in order to be able to compare and contrast statements. In addition, since one of the primary mandates of the SEC is maintain investor confidence in the markets, this expected time period (3 years) may cause more turmoil than success, and may drive many global investors to safer, more transitioned markets.

In addition, this long staged approach is clearly to allow US firms time to update and change their systems to allow the change from US GAAP to IFRS. However, though there are some big differences between the two standards, many of the accounting standards are either exactly the same or extremely similar. As such, this allows US firms to transition more effectively to IFRS than some European countries who had drastically different forms of GAAP. This staging period is also unneeded if it is truly intended to switch to IFRS. Though the stages may be used to monitor the transition, it seems implausible to think that midway through convergence, the Commission will revert back to US GAAP, forcing those who already switched to IFRS, to switch back, costing both the companies and the public billions of dollars. If the convergence is to happen, it will happen in one motion: from US GAAP to IFRS. As such, delaying the inevitable switch with this staged approach seems counterproductive.

Decision Criteria

The final decision on mandating use of IFRS from 2014 and going forward will be made by the SEC in 2011, based on decision criteria. Some of these criteria are specified, such as progress made between FASB and IASB, implementation of tagging systems and electronic filing systems such as XBRL, and obviously the degree of readiness for adoption by preparers, auditors, educators, and users. However, the exact criteria for all of these benchmarks remains undefined.

Essentially, this Roadmap gives a vague outline on what may constitute acceptance of IFRS and what may not. Firms placed with the decision to transition to IFRS are faced with a heavy decision. Updating and replacing systems which are more in line with IFRS may prove costly if the SEC decides to cancel the convergence and remain under US GAAP. As such, this uncertainty immediately diminishes the likelihood and willingness of companies to early adopt. Many firms are likely to "wait and see" what will happen with the decision before gearing up for transition. Therefore, the SEC needs to finalize a decision one-way or the other, in order to alleviate the uncertainty and create a more direct path for companies to follow.

Industry Adopters and Cost

The Roadmap indicates that 110 identified firms would volunteer for early adoption of IFRS. This early adoption seems logical based on "IFRS Industries" where a majority of issuers use IFRS standards. However, the criterion and costs mentioned for the IFRS industry adopters seems low on both fronts.

To begin, I mention "low criterion" in terms of low benchmarks for companies to determine if they are in an IFRS industry. The document mentions that a firm qualifies where, more often than not, the top 20 market cap firms are using IFRS statements, which constitutes an IFRS industry. However, does this mean 11 out of 20? And it also does not take into account industries where there may be similar capitalization of firms 21-40. I believe the criterion to qualify as an IFRS industry needs to be more detailed, so that it is abundantly clear whether or not the industry is reporting in IFRS. This is important, as some firms may use these "qualifications" to justify IFRS adoption in order to justify reporting in a manner which may provide for loopholes around US GAAP in certain industries and the presenting of data differently (and perhaps more attractively) to investors.

In addition, the SEC lists some costs related to transitioning from US GAAP to IFRS. It mentions for the 110 early adopters, costs are estimated to be $2.5 billion. This works out to slightly under $32 million for each firm. Not only is this already a significant amount, but I think it also underestimates the difficulty and costs many firms will have transitioning to IFRS. This $32 million number may be appropriate for firms who are already in industries using IFRS and have already begun to address the intricacies of to converging from US GAAP to IFRS. However, for firms who are not adequately prepared to early adopt, it seems logical that the costs may be much larger and the time and effort to effectively transition will be much greater. It is important that these cost estimates are not underestimated based on firms who are already in position to adopt IFRS.

Proposal A and Proposal B

With regard to supplementing financial information prepared in accordance with IFRS with information still reported under US GAAP, I agree with the Commission's position that this will provide critical data to investors which is both meaningful and important. By providing US GAAP financial data in some manner, investors can more thoroughly understand the transition from US GAAP to IFRS and the impact it is having on financial information.

As such, with the transition costs already expected to be high, proposal A seems the logical choice for presenting a US GAAP reconciliation. This one-time reconciliation allows the user to identify key changes going forward and, as a result, can analyze future data as it desires based on the reconciliation provided. In addition, it is clear that this information must be audited to prove the validity of the information. Under this premise, proposal A is a more desirable choice, as proposal B asks for 3-year period unaudited information. Though the Roadmap mentions that this data will be unaudited, I believe this is a mistake and that any information provided under US GAAP should be audited. Therefore, if all information provided will be audited, this will significantly increase costs to firms transitioning to IFRS. Proposal A provides the easiest and most cost effective manner to provide relevant information to the user without incurring excessive costs.

Auditing Standards

One area this roadmap seems to not mention at all is audit firms and audit standards. The goal of this convergence is obviously higher quality financial information for all users. However, this higher quality is squandered if financial audits are not also performed with a higher level of audit standards. Though many countries have adopted IFRS, and it seems the US plans to do the same, none have moved away from nationalized auditing standards. Obviously different standards would result in a different quality of audits and would also create the same comparability problems this convergence move is attempting to solve.

It seems logical that the SEC and IASB should address this issue and begin to roadmap this simultaneously. Global auditing standards should be made a priority as much as global accounting standards. This includes auditing oversight, as oversight enforced strictly on a national stage gives rise to far too many loopholes, and an overall imbalance in the auditing function set forth. I strongly encourage the SEC to address this issue within the Roadmap.

Interpretation of Standards

The multitude of interpretations and bright-line accounting has been a large issue with US GAAP. As such, with regard to the use of Industry Guides and certain FAS, which require certain disclosures as mentioned within the Roadmap, this authority should be given directly to the IASB to determine the appropriate disclosures. The IASB should be the first line of contact for any pertinent issue, for two reasons. One, they can appropriately determine the correct accounting standards to follow with regards to IFRS. Secondly, bringing the issue to light with the IASB allows the issue to be integrated into the IASB's work plan. This allows issues to be prioritized appropriately within the IASB.

I hope my comments are useful to the Commission. If you have any questions or concerns, please contact me directly.

Sincerely,
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Duquesne University