Florence E Harmon
Acting Secretary
Securities and Exchange Commission
100 F Street
NE Washington
DC 20549-1090
United States of America

Our Ref: TECH-CDR-847

20 April 2009

Dear Ms Harmon

Roadmap for the potential use of financial statements prepared in accordance with IFRS by US issuers (File number S7-27-08)

ACCA (Association of Chartered Certified Accountants) is pleased to have this opportunity to respond to the above consultation. The Financial Reporting Committee of ACCA have considered the consultation and I am writing to give you their views.

ACCA is the global body for professional accountants, supporting 131,500 members and 362,000 students throughout their careers, and providing services through a network of 82 offices and centres. We aim to offer the first choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management. ACCA works to achieve and promote the highest professional, ethical and governance standards and advance the public interest.

This consultation and the roadmap proposals must be seen now in the context of the continuing call by world leaders at the G20 meetings in November 2008 and April 2009 for there to be "significant progress towards a single set of high quality global accounting standards". The most significant contribution would be for the Commission to adopt formally these road map proposals and move US listed companies to use IFRS at the earliest feasible date.

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Our response is from the perspective of a global body and not particularly on behalf of our members based in the US or working for US issuers. We have not as a result answered all the questions posed, but responded to those where we consider our experience might assist the Commission's deliberations.

Q1. Global accounting standards – benefits to US markets and potential of IFRS

Yes there should be benefits from the US adopting a single set of global accounting standards and IFRS have the potential to be that set. IFRS will provide US investors and markets with high quality financial information on a more comparable basis with that provided by foreign companies listed in the US that prepare IFRS accounts and also with companies listed elsewhere in the world. There may also be some costs savings for US preparers who are operating on a global basis, but that would be a less significant and more uncertain factor.

Our evidence for these conclusions is threefold

- The increasing global take up of IFRS as the basis for financial reporting
- the results of a survey of CFOs around the world on the benefits of global standards
- the findings of our research into the initial impact on IFRS adoption on the cost of capital in Europe and their likely relevance for the US

The number of countries adopting IFRS as the basis for the general purpose financial reporting by at least their listed companies, was highlighted in your document as approximately 113 countries. This indicates that IFRS is increasingly fulfilling the role of a single set of globally accepted standards. The steady take up of IFRS also to an extent confirms the suitability and quality of IFRS – their take up would have been slower if jurisdictions had reason to doubt that.

The appendix to this letter includes a link to a survey[1] that we commissioned of nearly 800 Chief Financial Officers or their equivalent from around the world including those in countries which have adopted IFRS as well as from North America and India for example where they have not yet done so. The great majority (80%) of these CFOs had an in-depth or reasonable knowledge of IFRS. The vast majority (70%) of them (and these results were fairly consistent as between Europe and the US) believed that IFRS had or would benefit their companies. The most commonly-cited reason was the greater credibility it had or would give to their financial statements. Most of the remainder had not yet concluded whether IFRS would benefit them or not.

Also included in the appendix is a link to a research report[2] ACCA commissioned from a group of leading academics in the field measuring the effect of IFRS adoption on the cost of equity capital of European listed companies. This was based on over 18,000 observations in the period of 10 years before 2005 and in the two years after. This measured cost of capital using two different models and in both cases overall there was a statistically significant reduction in the cost of equity capital across Europe. More significant for the expectations in the case of the US, the researchers found that the effect was most significant and marked in the UK (a reduction from about 13% to 11% under the abnormal earnings growth model and from about 11% to 10% under the price-earnings growth model). The UK is shown to be the country which has the greatest emphasis on equity funding and better regulation to support financial reporting, and is therefore most like the US among European countries in this regard. Reasonable expectations of the adoption of IFRS in the US based on this study, are that the cost of equity capital is likely to reduce in a similar way and very unlikely to be adversely affected.

Q2. Are the proposed milestones an effective framework for evaluation?

Yes. We note that the milestones would seem to be

- Further convergence achieved between IFRS and US GAAP based on the joint work programme to 2011
- The due process of the IASB is followed and results in high quality new standards
- A system of secure and stable funding is achieved by IASB
- The greater accountability via the Monitoring Group (MG) is in place
- Progress in developing an XBRL taxonomy for IFRS
- Sufficient training and familiarity with IFRS has developed
- The pilot adoption of IFRS in 2009 by the global US companies is accomplished satisfactorily

We comment on them further below.

We support the Commission's formulation of the milestone on IASB/FASB convergence which is not too rigid and is not dependent on the whole of the joint programme being achieved. The boards' joint work programme looks to be demanding, especially in the light of the demands being placed upon them by the financial crisis.

We note that their own due process was not followed by the IASB in October 2008 in amending IAS39 to allow for some limited reclassifications of financial instruments. We consider the circumstances in which this was done were wholly exceptional. We also expect the IASCF in its review of the constitution to confirm an emergency due process, were comparable circumstances ever to recur, which would involve a mandatory minimum consultation period. We also expect that further improvements to IASB's due process will be put in place as a result of this constitutional review.

We support the milestone that IASCF must have developed a secure and stable funding system which will enhance its independence from any one sector or region.

An IFRS taxonomy in XBRL already exists and therefore it is a question of its maintenance and improvement.

Training and familiarity with IFRS will almost inevitably follow a clear decision from the Commission. This was the experience with the European adoption in 2005. There will be a wide availability of products to help the preparers an auditors in particular to prepare. ACCA has a diploma in IFRS designed for already qualified accountants to make the transition to IFRS and it is available and has been used on a worldwide basis to help in this process.

The proposed pilot adoptions are likely to yield useful information to help in the final decision and ease the main transition.

Q3. Timing of the milestones including a determination by the SEC in 2011

The timing needs to be a reasonable compromise between on the one hand allowing for the transition to be an evidenced decision and an orderly process and on the other not disadvantaging US listed companies and US investors from a delay in accessing the benefits of adoption.

The 2011 date seems reasonable in allowing for the results of the pilot adoption by the specified global US companies to be assessed and the progress on the joint IASB/FASB work programme to be evident.

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Q4.The mandated use of IFRS beginning in 2014

The phased adoption from 2014 to 2016 looks rather lengthy. For any company the transition process at a minimum stretches over two years, and so if the three batches of companies were meant to complete their transition in sequence then a 6 year transition period might be logical. On the other hand the EU achieved arguably a much more far-reaching transition in one step in 2004/5. The proposed transition period, including that by the pilot companies, would decrease comparability of financial information in the US over a period of at least 8 years given the parallel reporting in GAAP and IFRS that would be involved. A 'big bang' approach with adequate warning seems more attractive and worked in Europe. We have also noted in our answer to Q5 below that a lengthy adoption period is likely to 'freeze' the development and improvements to both sets of standards.

Q5. Effect on the convergence programme of the IASB and FASB

The convergence programme should be about developing new joint standards applicable in IFRS and in US GAAP rather than trying to make a series of less satisfactory amendments to both systems which will generally be perceived as change without significant improvement by their constituents.

We see no reason why the programme of jointly developed new standards should not continue. The 2011 milestone is likely to generate maximum pressure for its progress. After a final SEC decision it would seem logical for the two boards to merge their activities, further amendments to US GAAP should probably stop and the implementation of further changes to IFRS likewise put on hold while such a significant group of companies make the transition. A similar 'quiet period' was put in place after EU adoption of IFRS. As noted above this is another reason why the transition period should be kept as short as is reasonable.

Q8. Effect on audit quality and availability

The experience in Europe is that the trends towards dominance of work with listed companies by the largest audit practices were well established before IFRS, but we are not aware that IFRS adoption had a negative impact on competition among audit firms. Firms outside of the largest firms swiftly built their IFRS expertise in response to the needs of their clients and others for advice and assistance. We see no reason why this would also not be the case in the US given an adequate notice period.

Q9. The joint IASB/FASB work plan

A joint work plan of IASB and FASB seems the best way forward as it gains from the pooling of resources. The plan should concentrate on the jointly produced new standards. In the past when IASB has proposed amendments of existing IFRS to adopt the US solution this has raised difficulties – the changes have been hard to justify as improvements. Changes to IFRS means translation and the legal processes of incorporation in the many jurisdictions using IFRS around the world. A programme based on convergence would not be completed entirely in the foreseeable future because the two starting points are so different.

Q10 and 11. SEC monitoring of the joint work plan

The SEC should monitor the continuing work programme of developing new standards jointly addressing the topics that are most important. The existing joint work programme already looks very challenging for the boards to achieve and in our view the SEC should be measuring progress in travel and not solely recording the completion of projects. Progress on standards covering areas not properly addressed by IFRS – for example insurance and the extractive industries – will arguably be more important than amending/improving existing standards. After a final decision by SEC we would expect to see the two boards merge their activities and progress from there.

Q12. Funding and governance

We support the SEC's milestones on governance and funding.

Q13. Assessing the preparedness for transition

The key steps are for companies to prepare the restatements and to start communicating those to investors. The SEC should set a timeframe for companies to do that – key impact areas and outline information at one point perhaps, with a full restatement and reconciliation provided at a later one. The timely provision of restatements is a good proxy measure of the preparedness of the companies and also of the understanding of the impacts of IFRS by investors.

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Q14. Comprehensiveness of IFRS

IFRS are a global system of standards which are intended to be principle-based as much as possible. There are gaps in the standards (some of which we noted in answer to Q10 and 11) which should be remedied. The level of detailed application guidance is inevitably going to be less than in US GAAP because

- IFRS are aiming to be principle-based as ultimately the most effective way of achieving high quality reporting
- Of the problems of writing application guidance for different jurisdictions and contexts
- of the translation and legal incorporation issues for global standards.

Q15. Disclosures where accounting policies are not covered by a standard

We consider the disclosures required under IFRS are sufficient in this regard.

If there are any matters arising from the above please be in touch with me.

Yours sincerely

Richard Martin
Head of financial reporting

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TECH-CDR-847: APPENDIX

1. A Climate of Convergence – research commissioned by ACCA from CFO Research Services. The report can be accessed by using the following link
http://www.accaglobal.com/global_standards/research

2. Research Report (RR) 105 - Mandating IFRS: its Impact on the Cost of Equity Capital in Europe can be found using the following link
http://www.accaglobal.com/pubs/publicinterest/activities/research/research_archive/rr-105-001.pdf

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