Milgard School *of* Business
UNIVERSITY OF WASHINGTON
TACOMA

Re: File Number S7-27-08

March 18 of 2009

Chairman Mary Shapiro and Honorable Chris Dodd:

My name is Marinilka Barros Kimbro and I am currently an Assistant Professor of Accounting at the University of Washington Tacoma.

Please find enclosed, memoranda that the students of my International Accounting course have written addressing two issues: The "Roadmap to IFRS" and the use of mark-to market for the valuation of securities.

During the last two years I've introduced the topic of the credit crisis in all my courses. Specifically, I've tried to highlight the macro-economic, financial and accounting issues related to the use of structured finance securitization instruments and vehicles and their relationship to the liquidity, economic and confidence crisis. In class, we have tried to explore the: What, Why and How of the situation and – more importantly- Where do we go from here?

Since we have been "tuned" to these topics long before the current economic crisis, the students are following with extraordinary interest the recent developments regarding the discussion on the use of mark-to-market –as well as the "roadmap" to IFRS.

In every class, we spend the first 15-20 minutes discussing the current business and economics events. This goes on in all my courses: Intermediate Accounting, Accounting for Business Decisions in the MBAs and most recently, in my International Accounting course. The results have been fantastic. The students are reading newspapers, becoming informed, interested and of course they are very concerned. In my more than ten years teaching I've never seen a generation of young Americans that is more engaged. And that … gives me enormous pride and most importantly, it gives me so much hope.

This quarter, in my International Accounting course we've devoted a significant amount of time to the discussion of IFRS, and to fair market value. Hence, we followed with great interest your statements with regards to: 1) the use of "mark-to-market" in the valuation of investments; 2) Its effect on the current credit crisis and 3) the possible revision of the current roadmap to IFRS adoption.

The students of my International Accounting course want to participate in this regulatory process, and to that effect they have written the attached Memoranda expressing their views about the use of mark-to market, and about the future Roadmap to IFRS adoption.

The future generations and young citizens of this country will have to bear- more than anybody- the consequences of this crisis. Fortunately, they are engaged, they understand, and they want to do their part.

Thank you so much for serving our country. We are all behind you.

RECEIVED
MAR 27 2009
OFFICE OF THE SECRETARY

Very respectfully,

Marinilka Barros Kimbro, CFE, Ph.D
Assistant Professor, University of Washington Tacoma
mkimbro@u.washington.edu

March 1, 2009

UNIVERSITY OF
WASHINGTON
TACOMA

The Commissioners
Securities and Exchange Commission
100 F. Street, NE
Washington, DC 20549-1090

Attn: Ms. Elizabeth M. Murphy, Secretary

By mail and e-mail to rule-comments@sec.gov

RE: File Number S7-27-08 and Study on Mark-to-Market Accounting

Dear Commissioners:

Thank you for the opportunity to offer comments to the Securities and Exchange Commission (SEC) on the "Roadmap For The Potential Use Of Financial Statements Prepared in Accordance With International Financial Reporting Standards by U.S. Issuers" (Roadmap) and the Study on Mark-to-Market Accounting.

As students of the Milgard School of Business at the University of Washington Tacoma, we are studying the elements of international accounting, which includes the Roadmap to IFRS and the differences between IFRS and U.S. GAAP.

In recognizing the state of our economy we recommend suspension of the IFRS Roadmap for at least two years and propose continued convergence of U.S. GAAP and IFRS. As the Roadmap recognizes, the process of convergence is "an important means of increasing the quality of IFRS and [U.S.] GAAP and, at the same time reducing the disparity between the two." Our first point addresses slow convergence and its importance in reducing the differences between IFRS and U.S. GAAP before complete adoption. In order to further support this point of view, we will address the current distress surrounding mark-to-market of investment securities and recommend the FASB provides additional guidance during a time of illiquid markets, rather than suspend or change current regulation. Our second point addresses the consequences of early adoption of IFRS and therefore supports suspension of the Roadmap.

Implications of Converging Standards

Switching to IFRS will create many positive changes to financial reporting, but switching before adequate convergence with U.S. GAAP will create outweighing negative changes. We advise the FASB and the IASB to continue their efforts to converge IFRS and U.S. GAAP through joint projects. The IASB has been developing IFRS for 7-8 years, while the FASB has been developing and improving upon U.S. GAAP for over two decades. Transition to the current principles-based IFRS by a country who has relied on the rules-based U.S. GAAP is going to cause numerous complications for accountants and auditors alike. Our country relies on these rules and their interpretations. The FASB and the IASB should continue to work together to converge the two standards in a way that will provide relevant and reliable financial statements for an entities' stakeholders.

The current difficulty surrounding mark-to-market of investment securities is a great example of why our country is not ready to suspend U.S. GAAP and accept IFRS. The FASB was first compelled to provide further guidance on fair value accounting through SFAS 157, which only defines "fair value" and provides a framework for measurement. Even with this additional guidance, valuation experts are struggling with valuing investment securities due to the current illiquid market. The FASB is discussing the potential to provide even more guidance on the situation. The fact that we are talking about adopting the principles-based IFRS in its current state, which lacks any interpretation, suggests that the U.S. is not ready for IFRS and IFRS is not ready for the U.S.

While many believe fair value accounting is the source of our economic turmoil, we think the uncertainty in the market is a combination of several factors including the non-transparent nature of financial instruments, complexity of the models used to value them in illiquid markets, and limited financial statement disclosure of the liabilities financial institutions held related to collateralized debt obligations. Recently, suggestions have been made to suspend or change fair value accounting rules. To suspend fair value accounting is not the answer, as it has been a valuable tool used within the scope of U.S. GAAP standards. It brings relevance to the traditionally objective nature of recording assets at historic cost by offering a current market reflection of the value of assets. It also provides risk-related information to short-term traders and is a fair indicator of the liquidity of an entity. Even in past illiquid environments it has been a successful measure. The problem is that past illiquid times were not as extreme as what markets are seeing today. Part of what makes today's market so severe is the affect of globalization on the diversification elements of an entity's financial portfolio. Also, the lack of disclosure of liabilities entities held related to these financial assets is concerning. The SEC should require more disclosure in this area in an effort to reduce the information gap between an entity and its investors.

Even though mark-to-market is useful, in today's trade environment we recognize it has contributed to significant levels of uncertainty for investors. This is especially true in the results of the valuation method used in models to value level three assets that do not have an observable market. They are valued under assumptions that are not reflective of the environment in which the financial instruments are traded. We applaud current efforts to stress test the assumptions used in level three valuation models, and we recommend the FASB provides additional guidance on marking investment securities to market in a severely illiquid market as the U.S. is experiencing today.

Overall, in an average market, fair value creates more transparency, and in fact, increasing transparency is the key to mitigating the state of our economy. We propose the following to increase transparency. First, increase efforts related to information dissemination such as:

- Clarify the usefulness of the mark-to market or fair value accounting approach in a practical sense as a method that brings relevance to financial statements by providing critical market reflections of an entity's worth.
- Stress that mark-to-market elements of U.S. GAAP provide internal constituents and investors needed information to make important operational and transactional decisions that are relevant in trade.
- Increase efforts in educating on valuation methods and assumptions used in financial models when market comparisons are not available.

Second, slow convergence with IFRS and recognize the importance in maintaining transparency. IFRS generally requires more mark-to-market on the balance sheet than GAAP, which is predicted to cause more confusion related to the source of earnings of an entity. We stress that in challenging economic times, it would be even more detrimental to adopt IFRS standards, which require more fair value principles, when we are already struggling in today's economic environment with the current U.S. GAAP standards in place.

Implications of Adoption through Current Roadmap

At this point in the IFRS convergence plan, there are significant issues that still remain unresolved. Such issues include the use of LIFO inventory valuation, valuation of property, plant and equipment, and the use of intangibles. These fundamental issues challenge the U.S. GAAP accounting practices that financial statement users rely on and are accustomed to. Extending the timeline of the roadmap will allow more time for these outstanding issues to be resolved and will lend support to the overall acceptance of IFRS,

We recognize that there are companies that would benefit greatly from the adoption of IFRS. These include the large, U.S. based, globalized companies who use IFRS within their subsidiaries. They would eliminate the reporting step of translating the IFRS financial statement to U.S. GAAP. Also, there are those who rely heavily on research and development (R & D) in operations, as they would be allowed to capitalize R & D costs in IFRS,when currently they are required to expense them which affects the presentation of earnings,

Although there is a significant advantage for the aforementioned, it is important to recognize the implications of IFRS adoption on other firms. Suspension of the IFRS Roadmap for at least two years would help to mitigate unresolved issues such as:

- Income matching and tax affects of disallowing LIFO inventory valuation,
- Comparability issues of entities in the same industries who choose to value their property, plant and equipment differently, and the
- Disparity between IFRS and GAAP related to the recognition of intangibles. IFRS has a larger scope of intangibles, such as the capitalization of market share, customer lists, and other rights that GAAP users are not accustomed to.

Other implications that should be considered in the timeline include the allowance of time for adequate professional education and the cost involved in IFRS adoption which outweighs the value it would provide on an operational level. The current Roadmap would allow at least 110 companies to begin using IFRS as early as this year, which is predicted to cost these companies an additional $32 million in the 10-Ks filed in 2010. In addition, your estimates predict that each company will spend between 0.125 percent and 0.13 percent of its revenue on making the transition from U.S. GAAP to IFRS in the first year of filing. This is not the time to increase costs for companies that are struggling to survive. Not to mention, these estimates ignore the tax implications that IFRS will bring upon U.S. companies that use LIFO. According to Charles Mulford, a Georgia Tech researcher, the switch could cost companies hundreds of millions or even billions of dollars in taxes over four years. In the current U.S. recession, where companies are restructuring and in need of government support to survive, IFRS implementation costs could become the straw that breaks the camel's back.

Furthermore, U.S. companies will pass these additional costs to the consumer, which will only act as an adverse stimulus on the U.S. economy. In times of a weak economy, additional costs and challenging processes are going to impede the growth and successful restructuring that the U.S. market needs. U.S. issuers will be better prepared to make the transition to IFRS by affording the costs and the time to succeed in this challenging process. Due to the current economy, state universities are facing budget freezes. This creates limited professional education and preparedness on adoption of IFRS. Professors are continuing to teach U.S. GAAP, students are graduating with but a few references to IFRS, and accountants in all fields are using the same standards as they always have. The cost of changing curriculums is high, so professors are not equipped to teach IFRS. Although the top four public accounting firms are trying to help by creating programs at certain universities, the resources to fund these programs are limited to specific universities.

For the foregoing reasons, we recommend suspension of the IFRS roadmap for at least two years, or until the economy has recovered, and continued effort to converge U.S. GAAP and IFRS allows for sufficient evidence to assure IFRS principles provide value and relevance to financial reporting. We also encourage FASB to provide additional guidance on mark-to-market and urge the board to not suspend or change fair value regulations. We have confidence in the government funded stimulus package and its ability to reduce unemployment and the loss of income within our economy over the next two years.

Sincerely,

Stephany Carter-Hoskinson

Anna Kojevnikova

Inna Kuzminykh

Bobbie Wade

Laura White

cc: Honorable Mary L. Schapiro, Chairman
Honorable Christopher J. Dodd

Date: March 5, 2009

To: Members of the SEC and Sen. Christopher Dodd

From: Maryia Kolb, Courtney Shreve, Michael McEuen, Chris Sherman

Subject: Concerns of Mark to Market and International Financial Reporting Standards

In today's economy there have been concerns of the transition to International Financial Reporting Standards (IFRS) as well as mark to market. Below we discuss Christopher Dodd's and Mary Schapiro's concerns as well as our own.

Concerns of Sen. Christopher Dodd Regarding Fair Market Value

Recently, Christopher Dodd and the Chamber of Commerce have suggested it would be a possibility to modify fair market value accounting. The Chamber of Commerce has suggested splitting losses and write-downs between credit losses and liquidity losses within the banking system so that half of the losses will not have to be realized until an asset is sold, and therefore delay the effects of mark-to-market. It is imperative that mark-to-market be kept how it is because the goals of accounting are to present relevant and reliable information. Modifying mark-to-market would create assets that are unreliable because they wouldn't represent their true value and would be irrelevant to the markets at the time. This is also why IFRS needs to be adopted; fair market value would be of no concern because under IFRS these asset losses can be revalued once they recover.

Concerns of Mary Schapiro

Mary Schapiro has shown concern for the IFRS conversion. Included in these concerns are lack of detail, lack of consistency, dictation of International Accounting Standards Board, and the significant cost.

Beginning with her concerns for lack of detail, the IFRS Roadmap has stated with the adoption of an XBRL extensive website, statements for IFRS and Generally Accepted Accounting Principles will give more detail to the public through the availability of financial statements online. We do not believe that there should be any concern with any lack of detail; the International Accounting Standards Board (IASB) does require the same level of financial statements by requiring income statements and balance sheets. We suggest requiring the issuance of a cash flow statement and statement of stockholders equity. This would enable investors the comparability that they need, and that Mary Schapiro is concerned about. IFRS focuses on relevance, and with that leaves information detail to the discretion of the auditor. Although IFRS principles are not detailed as the rules from U.S. GAAP, they still have valid and reliable standards that all companies can use.

With regards to lack of consistency among the different accounting standards, it is a moot point because the United States is a standard setting country. Within a global economy it is evident that the United States plays a large role and influences corporations nationally and worldwide. We believe that as soon as the United States changes to IFRS, the rest of the world will follow. We believe this because of the history of U.S. GAAP. Companies have been reconciling with U.S. GAAP for some time now in order to be within the U.S. market as well to help investors compare.

Schapiro also expressed concerns of the dictation of IASB. While this is a valid concern, the Roadmap has stated that the U.S. will have some influence, but not as significant amount if we were to stay with U.S. GAAP. If the U.S. were to stay with U.S. GAAP they would have control of writing new standards with FASB as well as enforcing them with the SEC. The roadmap did not go into great detail of how much influence the U.S. will have but is confident that it will be enough. We believe that if more influence is necessary that it can always be negotiated.

Last, the significant cost as reviewed in a Roadmap to IFRS was 0.13% of Revenue per corporation (using option B). We agree with this concern because in this economy it will be difficult to take on this type of expense. Perhaps some incentive that could be given from the Obama administration could be of some help. If corporations had incentives, as they have had with the bail out, they will be more likely to move into IFRS quickly and voluntarily.

Our Opinion and Recommendations

We encourage the transition from U.S. GAAP to IFRS. We believe that relevancy should come before reliability. Without relevant financial standards and statements how could a corporation or investor rely on them? We believe that corporations, standards boards, and investors need to take a step back and go back to basics. What do they need, want, and recognize? We need relevant standards that are reliable and common between all countries and companies. We want comparability and perfect information in a timely manner that does not cost too much. Most importantly we recognize the need in the growing global economy for one set of standards that is relevant in today's economy.

The IFRS transition is an exciting opportunity for the United States to become even more integrated into the global economy as well as subdue the effects of mark to market. However, with the significant costs during this economic crisis, our recommendation would be to modify the current timeline of transitioning to IFRS. Another reason to modify the timeline is that we believe professionals, schools, and students are not ready to adopt IFRS. We encourage education, training programs, and exposure to the public. Once students and professionals have the knowledge and training in IFRS, then it will be of utmost importance to adopt IFRS. After two years of economic stability and meeting the previous requirements we believe it would be a more favorable time to implement the transition. Within the IFRS Roadmap we recommend the implementation of Plan B. This will create more transparency and comparability between companies within the United States during the transition period.

Implementing fair market value was not the cause of the current credit crisis; it simply uncovered the truth to the real market value of asset-backed-securities and should be kept to provide a foundation for stable markets in the future. After the markets have stabilized, IFRS needs to be adopted 2 years afterward to allow professionals the time to ready themselves for the transition, resolve any issues they may have, and be able to prepare to successfully implement the new standards. This will also give time to investors, students, and professionals to adapt to an alternative presentation of the income statement. We believe a solution to this incomparability is to allow different formats to the income statement and balance sheet (as well as cash flows and statement of stockholders equity if required). These formats would follow the standards of local GAAP or the standards of IFRS. This would increase the comparability of the financial statements during the transition and may facilitate voluntary conversion to IFRS by other companies in the future.

Thank you for your time and consideration.

Milgard School *of* Business
UNIVERSITY OF WASHINGTON
TACOMA

TO: THE SECURITY EXCHANGE COMMISSION

FROM: KEI CORBETT, SAMANTHA HUOTH, LESLEY PEREZ

SUBJECT: ROADMAP TO IFRS AND MARK TO MARKET

DATE: MARCH 12, 2009

CC: HONORABLE CHRISTOPHER DODD

ROADMAP TO IFRS AND MARK TO MARKET

As students we have been studying topics such as the roadmap to IFRS and the fair market valuation issues. While studying these topics in our international accounting class we are learning a great deal about just how far we have come and how far we still have yet to go to accommodate this transition. We were especially intrigued on the topic of 'fair value' and the process by which we will converge. In light of the recent market upsets, we hereby would like to respond to crucial issues. So we ask ourselves and the SEC; are the deadlines for the roadmap a realistic time frame for US companies to convert to a new set of accounting standards given the current state of the economy? Realizing this deadline would have been possible if the economy was stable, as the SEC focus could have been fully dedicated to this project. However, with the market as volatile as it is, the SEC administration is tasked with how to deal with the current economy and financial vehicles that have shuttered the markets, not only in the US but abroad as well. The question is: Should the SEC be focusing on repairing the foundation of corporate governance so as to restore the confidence in the operations and liquidity of businesses or continue full force with the convergence to comparable financial statements. We do not suggest stopping this convergence fully, but to be cautious as to what extent and when the SEC rolls out the options. In this we agree with SEC chairman, Mary Shapiro, in that the SEC should not and will not be bound by the roadmap set before them prior to the credit crisis at hand.

Perhaps the most important focus should be to restore the faith in the markets, by implementing regulations that protect the interests of the investors and maintain efficient markets. Keeping corporate governance in balance with the interests of shareholders will provide such assurances. The current breakdown of this system reflected by the latest scandals of the 21st century, have weakened the confidence in the operating efficiency of the SEC, as well as businesses around the world. It is fair to say investors large and small are lacking trust in the judgment of both corporate America and the SEC.

If this is so, how are we to move forward on an accounting system which is based on principles, while bound by judgment? In view of the state of the economy, who, besides market leaders, could afford such a huge task of converting over to IFRS? Costs associated with the implementation of IFRS would so severely affect smaller companies that it would only exacerbate an already troubling economy by weakening the liquidity of those businesses. Assuring proper training and resources are available for management and accountants to be able to make sound decisions and estimations will require a substantial investment of time and money. Small and large businesses alike are already vigilant of their costs and are trimming the fat by laying off employees; this trend will continue and possibly escalate due to additional accrued costs by the implementation of any new procedures associated with the conversion to IFRS. The costs of hiring and training actuaries and auditors to value assets and convert to new accounting procedures, as well as recalculating the last three fiscal years will pose a tremendous burden on businesses trying to survive this economic crisis since this expense does not result in increased retail sales, income or profits. Simply said: the costs do not outweigh the benefits.

Moving to IFRS is inevitable, but the process by which it comes about should be evaluated by the current state of our economy and how it will affect the nation. While it is still important to make financial statements comparable; perhaps an adjusted roadmap reflecting a slower process by which company can convert would be prudent. Optional convergence being offered to leading companies that have the resources to convert may be detrimental to the survival of the medium to small size corporations. Delayed convergence for the smaller business will mean that it will be lagging behind, which will only deepen the gap between large and small businesses. One reason behind the TARP was to prevent larger businesses from falling; we equally cannot let small business fail as well. Moving forward with IFRS at the current pace will be setting them up for failure, which could result in another bailout.

Please reconsider the timeline for the roadmap; given the current economic crisis and the complicated and intricate problems surrounding the components of the convergence, such as mark-to-market, it is clear that more time is needed. Our economy and businesses are not ready for the change. Consequently, we recommend that the roadmap should be revised to reflect a more reasonable time frame. The option should be open to all businesses to be able to implement IFRS in 2011 and proceed to a full convergence in 2013. This will allow more time for companies that can afford the application of IFRS conversion while developing a learning curve for other businesses to utilize, creating a more efficient conversion.

This brings us to the next item we would like to respond to. We were asked if mark-to-market is an effective way to value assets owned by a business. We believe that mark-to-market can be, for the most part, relevant. However, the real question is, can it be reliable and is it the best measurement of valuing assets in every industry? Truly there is no easy fix to this. With the current economic crisis, and mark-to-market being one of the debated exacerbations to the collapse of these financial instruments, it is clear now more than ever that guidance is needed and should not be ignored or even delayed any further.

An admirable first step is the SFAS 157 in defining mark-to-market. Its progression towards regulating valuations and providing consistency could be the most significant in the restoration of confidence. However, additional defining and modeling is necessary in order to better address guidance on estimation models in representing the reliable and relevant worth of an asset, which in some cases may not be possible. In the meantime we should move forward, discontinue any inconsistent models that may allow fraud or material manipulation of income or earnings, leaving as little uncertainty as possible. A slow transformation to new measures and models will allow some flexibility in determining how well they work and if they provide adequate disclosure and transparency for investors. Creating more regulation and oversight in regards to the quality and quantity of disclosure for financial instruments, especially in an illiquid market, is essential in decision making. However the SEC decides to approach this matter, it needs to keep in mind the objective of making information more comparable, reliable and relevant.

George Diacont stated "nothing does more to destroy the credibility of the financial reporting process or the confidence of the investing public than financial statements that create impression that all is well when in fact it is not". We believe using mark-to-market can be the best solution for the time being as it is the best method for measuring currently traded instruments. It provides management and investors with some idea of the instrument's worth. Mark to market does not provide the stability of the beautiful line, however, it does provide a current value of the asset according to the market, not necessarily the intrinsic value of the asset. Consequently, by revaluating assets on a frequent basis, it represents the current value in the market if sold at the time of revaluation.

The biggest problem with mark-to-market is handling newly created financial and unmarketable instruments. The tendency is to fit these instruments into a current mold and hope it works well enough whether it be fair market value, historical or a mixed attribute model. Presently everyone can use their own judgment in deciding how to best value them, unfortunately this does not seem to be working. Designing an effective model to determine the fair value of a newly created asset or liability should leave little room for uncertainty. Even if adjustments are needed, it should be the same model used by all until one can be created to address any pertinent facts that would otherwise deem it unreliable or irrelevant.

In cases where assets do not have a market, historical cost is not an adequate measure of determining the current value for these instruments. So many of these toxic assets and derivatives have been repackaged in so many different forms and have become worthless or significantly devalued on the market due to their volatility. If historical cost is used to determine the current value of these financial instruments, it can potentially lead to overstatement of the asset. These assets must be unraveled so as to put a price on them, if this is not possible they should be written down as losses, any other value would be misleading to investors and the public. We need these businesses to thrive, attaching a value to these assets might eventually restore some liquidity to the market by invoking trust and relevancy. This can only be accomplished with a well established structure and regulations for corporations that will participate in this type of valuation providing reliability.

As students, we know that there is not one fix solution, however, the conversion to IFRS needs to be gradual and sensible while providing time for corporations to make the necessary transition. As a result, we recommend giving corporations the option to implement IFRS in 2011 and proceed to a full convergence in 2014. We also believe mark-to-market is the best measurement, as it provides investors and management with the transparency necessary for decision making, and is both reliable and relevant.

Lesley Ray
Kei Corbett
Samuel [illegible]

Memorandum

To: Securities and Exchange Commission

From: Deborah Horst, Margaret Basil Le, Landon Sario

CC: Senator Christopher Dodd

Date: 3/19/2009

Re: Fair Value Accounting and the Adoption of IFRS

As citizens of the United States and students of International Business and Accounting, we are writing to express our concerns regarding mark to market rules and the roadmap to International Financial Reporting Standards (IFRS) reporting for domestic public companies. We feel that fair value accounting, despite the recent problems with asset backed securities, is still the most accurate and comparable way to account for a public company's investments. Secondly, it is our opinion that IFRS should be adopted as the single set of accounting standards for the U.S. capital markets by 2014.

We believe that fair value is the best method of recording investments. Fair value accounting provides a level of transparency and relevance that no other method can deliver. The ideal way to establish fair value is to use current market value. The problem with this method arises when there is no active market. In this situation, accountants must rely on models to value untraded securities. These models and the estimates upon which they are based are subjective and far from perfect, though they are still more relevant than historical cost. If possible, we favor marking investments to market value because that is the best reflection of their actual value today. Investment securities that cannot be sold are of limited value.

Shareholders deserve to know what management is investing in, and what those investments are worth in today's markets. Carrying an investment on a company's books at a value other than the market value creates an unrealistic picture of the actual value and solvency of a company. Changing to another valuation method does not change the real value of an asset; it only hides the value from the shareholders. Changing the valuation method would only promote more uncertainty in an already shaky market. Admittedly, market values can fluctuate dramatically, creating the unrealized losses that are occurring these days. The transparency and relevance that fair value provides, however, are worth the accompanying risk.

The concept of relevance that underlies fair value accounting is one that is prevalent in IFRS. These standards are the future of accounting, and they are already required in many other countries around the world. Adopting IFRS will bring comparability to financial data across countries, increasing the efficiency of global capital markets by giving us a consistent standard to measure our companies with the rest of the world. Foreign investors will be better able to understand the value of a U.S. company so that they can invest capital here. It would also eliminate the need for U.S. companies with foreign subsidiaries to convert the subsidiary financial data into U.S. GAAP. Since foreign-based companies are not required to use or reconcile to GAAP, U.S. based countries will be at a disadvantage until they, too, are allowed to use IFRS. In today's world, the United States economy depends upon our relationship with other countries. We cannot continue to stand apart with our own accounting standards.

IFRS will provide a number of specific benefits to companies and investors. For example, eliminating the detailed rules for when a company must consolidate forces companies who have control of other entities to consolidate, regardless of the form of control. This will increase disclosure and reduce the amount of off balance sheet financing. Additionally, recording fixed assets at fair value under IFRS will better inform investors about the potential of the company's assets to generate future cash flows. Another benefit of IFRS is that it requires assets such as inventory to be written back up if their value increases after an impairment. This means that companies will no longer be able to bank income for future periods by writing assets down. IFRS also allows the recognition of internally generated intangibles such as development costs. While U.S. GAAP does not recognize that development costs benefit future periods by allowing the costs to be capitalized and amortized, IFRS does. This means that companies would be able to show investors that they are creating value by developing new products. Internally generated intangibles also include things like patents and trademarks. These instruments have revenue generating potential that should be recognized. IFRS allows revaluation of these assets if they are traded in an active market.

As a principles-based system, IFRS contains adaptability that U.S. GAAP does not. U.S. GAAP is more retroactive, in that it changes after issues arise that affect financial reporting. As a rules-based system, companies sometimes find and exploit loopholes in the written code to circumvent the intent of the rules. In response to this, FASB may hand down rules months or even years after the problems that sparked them. IFRS maintains a structure of reporting standards while not being limited by that structure. Implementing a principles-based system allows companies to be judged on following the spirit, rather than the letter, of a standard. It allows more room for auditor judgment, and therefore freedom to adapt to each new accounting issue. A principles-based accounting framework, combined with a strong regulatory system, creates a nimble, adaptable accounting system.

The proposed changeover will no doubt have its cost. Most costs should be short term and be far outweighed by their benefits. Recent history shows us that the costs of implementing Sarbanes-Oxley were large, but most agree that the benefits of transparency and confidence in the accounting profession were worth it. These costs will be most easily absorbed during a time of economic prosperity. That is why we agree with the current timetable set by the SEC for mandatory IFRS filings by 2014. Hopefully by that time, today's economic crisis will be over and our economy will be growing again. Of course, it is impossible to know the future, which is why we believe a 2011 assessment is necessary. The SEC needs the freedom to amend the roadmap in 2011 in case of extreme circumstances or prolonged economic trouble. However, we feel it is important to have a clear, stated goal of 2014 as the mandatory filing date. U.S. companies, as well as our markets, need some degree of certainty that IFRS is coming and it is coming soon. A date of 2014 provides that certainty.

In conclusion, we see a need in accounting for current, relevant financial reporting information. Fair value accounting is the best way for us to achieve that. Despite its flaws and inherent risks, we believe it must continue to be the way we account for investments. It should be one of many changes in U.S. GAAP that harmonizes those standards with IFRS. It is our position that by 2014 all publicly listed companies should be required to report with IFRS, and eventually U.S. GAAP must be replaced. IFRS is the future of accounting, whether the U.S. adopts it or not. The sooner we can be in line with the rest of the global financial reporting environment, the better.

UNIVERSITY OF WASHINGTON

TACOMA

University of Washington Tacoma
Pinkerton Building, Rm. 131
1900 Commerce St.
Tacoma, WA 98402

March 5, 2009

Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: IFRS roadmap; fair value accounting

To whom it may concern:

We are four students majoring in accounting at the University of Washington, Tacoma Campus. Due to the recent financial crisis, fair market value has become a major topic in our International Accounting class. Our professor, Dr. Marinilka Kimbro, has encouraged us to address to you our concerns regarding the convergence of U.S. GAAP and IFRS. As accounting students, this roadmap to our country's reporting standards has a direct relationship with our future careers and success. We have spent much of our time this quarter discussing the parallels between both methods of reporting standards and have acknowledged some of the strengths and weaknesses in both. The purpose of this letter is to communicate some of our concerns with the current SEC proposed roadmap to IFRS and accounting methodology.

First, in our opinion, the timeframe to implementation is the biggest obstacle. We believe the current implementation date of 2011 for early adopters is just too soon. To change the world's largest financial system to international standards in two to four years, after fine-tuning U.S. GAAP for seventy-five years, seems risky. Mary Shapiro's bold move to lengthen the current roadmap is in our opinion, a good choice. However, the move towards a global reporting standard seems inevitable. With this in mind there is a major issue of preparedness and education in this nation. We do not currently have enough instructors experienced in IFRS to prepare us for the change, and most working auditors we have talked to have little or no experience with international reporting standards. In a recent forum on campus, a senior auditor from Deloitte Touche Tohmatsu claimed he had no real exposure to IFRS and would not seek learning it until it "fell in his lap." If a senior auditor from a "Big Four" accounting firm has no experience with IFRS, perhaps the time frame for convergence needs to be extended.

campus, a senior auditor from Deloitte Touche Tohmatsu claimed he had no real exposure to IFRS and would not seek learning it until it "fell in his lap." If a senior auditor from a "Big Four" accounting firm has no experience with IFRS, perhaps the time frame for convergence needs to be extended.

Second, we believe a major issue is whether IFRS will be effective and relevant for all businesses in the United States. Controller Bob Schroeder from Simpson LLC here in Washington State claims that, "fair value accounting for assets has been a bigger cost burden than benefit" as it relates to their timber company. Simpson uses current FASB market valuation during acquisitions of saw mills, which obviously have a very small market demand. Our concern is that increased costs of conforming to international standards may affect transparency and representational faithfulness in certain industries. Mr. Schroeder claims that the extra time involved in communicating the real operating revenues from unrealized gains is costing Simpson money and causing uncertainty with shareholders. The negative goodwill created from Simpson's acquisition of timber mills is being reported as an extraordinary gain, and being mistaken for operating revenue by shareholders. Many investors believed the company was earning larger profit margins than existed. We question whether the IFRS process of combining operating and non-operating gains and losses on financial statements may result in similar confusion.

Third, there is a major issue, in our opinion, with the extinction of the LIFO inventory method. We believe this will affect manufacturers and producers in monumental ways. One can say with near certainty that many companies would balk at the proposed elimination of this inventory method, a favorite for tax reporting. We raise two questions: Is the elimination of LIFO the only option, and how will the change over losses be dealt with? We understand that converging to IFRS will change many practices, but are all changes in our nation's best interests? Although we feel principles based accounting methods, such as mark to market accounting, can be very beneficial for creditors and investors of financial or service institutions, manufactures may have different needs in an already expensive U.S. market. As costs grow, we as students and future job-seekers fear that increasingly more jobs will be lost to overseas workforces. Globalization has greatly affected our knowledge and service based economy, and further costs added to an already strained manufacturing sector will result in more Greenfield investments overseas and the outsourcing of jobs.

University of Washington Accounting professor Dr. Ehsan Feroz believes that the tension between reporting entities and accounting regulators is often reminiscent of the famous chess games between IBM's Deep Blue and Gary Kasparov.[1] In this regulatory "chess game" companies are constantly pushing the limits to the frontiers or even beyond within the limits of GAAP. We are

[1] In the last of these matches, Kasparov accused Deep Blue of being controlled by humans. As we move towards principles based accounting and away from rules based, a "human-controlled" system is more prone to manipulation and fraud than it already is.

concerned that a move away from a rule based method will allow more discretion that may eventually produce more fraud and scandals than we have experienced in the past. It seems that in the absence of worldwide regulatory agencies auditors may become the sole enforcers of a system that may be easier to manipulate. The judgments of those auditing may be as subjective as the actions being reviewed.

As students in these unprecedented times, we do not assume a wealth of working knowledge in these areas; therefore we greatly rely on leaders such as you to do what is right for us, our nation, and our future. We do hope to make our thoughts and concerns heard, and ask that as you govern you take heed of them. We believe that in a world of globalization, it will be in the best interest of the majority to use a globally accepted accounting methodology. Its implementation will certainly lead to increased global opportunities. We believe that for this to happen swift action must take place. Current accountants and accounting students must be educated in order for a functional transition to take place. Universities must begin to teach how international accounting systems function and what is taking place on the roadmap to conversion.

At our school, which is the business division of the University of Washington, there is only one International Accounting class, and it will be eliminated after the current quarter. We do not even use a textbook for our class, as standards change so quickly that publishers cannot keep pace. Our professors, who are extremely capable and knowledgeable in accounting standards, are not currently capable of teaching us the standards that may be in place when we graduate. The U.S. GAAP we are being taught may soon become obsolete.

The time frame for our own convergence to IFRS should be slowed so that the U.S. is able to change over without another collapse or failure of our capital markets. The process of the roadmap must be of the highest priority to legislators, educators, current professionals, and future professionals. This is a critical time; the future strength and vitality of our economy will be influenced by the choices we make now. We thank you greatly for the opportunity to be heard. We know your time is valuable and your service to us and our nation is respected and appreciated.

Sincerely,

Christopher R. Laverdiere | Clifton Meeks | Dave Thompson | Bret M. Woody

cc: Honorable Chris Dodd
cc: Dr. Ehsan H. Feroz

UNIVERSITY OF WASHINGTON
TACOMA

March 14, 2009

Mark to Market and IFRS Converging Roadmap

To: SEC

From: Steven Hagel, Matt Flores, Kristen Flores, and Matt Yi (University of Washington Tacoma business students)

In our current economic situation, there is a lot of debate regarding the process of rescuing financial institutions by the U.S. government. We would like to share our concerns with mark to market of investment securities and also some issues about the roadmap to IFRS. The current position of our economy creates challenging scenarios for mark to market and IFRS in U.S. traded companies.

We agree with Sen. Christopher Dodd's concerns with mark to market and feel that some modifications do need to be made to mark to market for U.S. companies. The volatility of today's market has lead to inaccurate valuation of securities. Toxic securities that are illiquid and currently do not have of a market to trade in, are being lead to a valuation through proxies. Once proxies value these assets, they should not be used as values on financial statements that are presented to investors because they can be misleading. The accuracy should be derived from purchase price, and gross proceeds from the sale. This forces the gains and losses to be realized at the time the security is sold.

The purpose of mark to market was to create transparency, but it has turned into a key driver in making business decisions. The volatile market that we are experiencing (with mark to market incorporated) has lead to high earnings management for many companies. The concern of meeting the expectations from Wall Street analysts is creating many companies to either manipulate financial statements or take big baths. The transparency of distressed assets today has influenced many companies to experience a high volume of write-downs. If mark to market had not been reintroduced, many businesses would not have write-downs and our economy could possibly be more stable.

The International Reporting Financial System supports mark to market, but that is not the only reason why we feel the roadmap to IFRS needs to be delayed. The following are two areas for concern in regards to switching to IFRS:

- Switching from LIFO to FIFO in regards to inventory
- Revalued amounts for property, plant and equipment

Based on the conservative approaches of U.S. GAAP with the use of LIFO, inventory within companies will not be overvalued. Inventory that is overvalued by switching to FIFO can lead to inflated net income for U.S. companies. This can be very deceiving to investors as well as the market. This deception contradicts the misleading we discussed with mark to market because this will allow for companies to appear they have more wealth in their inventory then they really do. Mark to market is deceiving because it is taking value out of companies with certain assets whereas switching to FIFO is deceptively adding value into a business.

The next concern for switching to IFRS is it uses revalued amounts for property, plant and equipment. Although this may provide transparency, revaluing assets will cause uncertainty, especially in this current economic state. Real estate has been depreciating and will continue to plummet, if the roadmap to IFRS is implemented too soon.

IFRS is principle based and will eventually direct business decision makers to the manipulation of accounting. It is in the best interest of this economy to hold off on the roadmap to IFRS, at least until the market has established stability. A universal accounting standard is definitely a strong goal to strive for, but when the time is right. We understand that are many benefits to a universal standard of accounting. The adoption of universal standards would create consistency and comparability of financial reporting across global financial markets. Unfortunately, the market is not ready for such a drastic change, especially in our accounting standards. This collapse is the outcome of the implementation of mark to market, which has only caused uncertainty for investors in the market. This has led to the billions of dollars in write-offs and credit defaults.

CC: Honorable Christopher Dodd and Mary Schapiro

Memorandum

Date: March 17, 2009

To: Sen. Dodd, Chairman Shapiro

From: Ju Yun, Miki House, Hung Nguyen, Matt Nixon, Yuliya Pronina

Subject: Roadmap to IFRS

We are writing in regards to the SEC's recently proposed roadmap to IFRS. There has been much debate among the business community leaders regarding the adoption of IFRS and the timeline in which that change should be made. One of the main points of discussion is mark-to-market accounting and its affect on the current credit crisis.

Mark-to-market has been a subject to a lot of attacks. In our opinion, in the era of highly complex financial instruments it is vital for financial reporting to have mark-to-market accounting. In current adverse economic and political conditions, making adjustments to rules related to mark-to-market accounting would create more uncertainty and chaos. Especially during this credit crisis when trust and confidence among market participants is bleak, mark-to-market is a major step in the right direction to restore these lost values. The days of old historical and verifiable data has come and gone. Financial professionals and investors are demanding a more relevant set of financial reports and mark-to-market facilitates that demand. It provides an unbiased value of how the market values securities. Rather than being cautious to move forward, the SEC should work with FASB to see how we can make mark- to- market more reliable.

Mark-to-market is being harshly criticized for playing a huge part in the current credit crisis due to reassessments of asset securitizations and the tremendous write-downs that companies have recorded. Opponents of the mark-to-market are arguing that it is not providing their companies with the time necessary for the assets to correct themselves. However, if there was confidence that these securities would regain value there would be a market for them. It appears that no one understands what the true values of these securities are, so how can anyone say that passing of time would appreciate the value? We do applaud the SEC's judgment not to suspend FASB standard 157. It would be in the nation's interest to continue to accept mark-to-market accounting.

The conversion from US GAAP to IFRS is necessary; it will create a one-set of uniform, high-quality and globally recognized and comparable accounting standard which will facilitate the global flow of capital. However, we agree with NASBA's chairman, Thomas Sadler, that the current roadmap to convert to IFRS by 2014 is too rushed. There are too many obstacles to overcome and the current adverse economic conditions do not provide the best environment for appropriate implementation and convergence. Currently over 25% of US companies use LIFO accounting for inventory and IFRS does not allow LIFO. This could be a shock to most US companies and create large cumulative effects in accounting changes. We must also address revaluation issues associated with IFRS and how they might affect assets, notably fixed assets, which have been recorded at historical cost their entire lives. FASB and the IASB must create guidance on these issues before a required switch is to take place.

One of the major problems is that there is not enough guidance for asset valuations in an illiquid market. As stated above, it is still unclear what these asset securitizations are and what future cash flows they can be expected to produce. Furthermore, in these uncertain economic times, companies do not have the resources to cover the costs of conversion. Reports anticipate the cost of conversion to be 0.5% – 1% of annual revenues. Due to the high costs of user training and changes in information technology systems and operational procedures, a gradual reconciliation would be beneficial for a vast number of banks, credit agencies and various external entities.

Another problem is the lack of IFRS and asset valuation courses offered at college institutions. Many companies are paying for their employees to go to colleges to study IFRS, which is tremendously insufficient. The appropriate classes and the professors that are highly trained and educated in IFRS are not in place to teach courses that will lead to understanding of IFRS and valuation. Since IFRS is more principle based, it requires more knowledge of IFRS to make the correct judgments. To encompass IFRS, new accounting and finance curriculum should be adopted in colleges and universities.

We strongly agree that IFRS adoption is necessary and inevitable. We encourage the continuing efforts of the SEC to work with FASB and FASB's efforts to work with IASB to make the transition to IFRS as smooth as possible. In addition, we believe that the proposed dateline should be extended for an additional five to ten years to ensure the proper adoption and implementation, as well as to give necessary time for the economy to recover from the recession and for the business community to make the needed adjustments. A more extended dateline will also allow for several unresolved accounting issues previously mentioned to be resolved.

Milgard School *of* Business
UNIVERSITY OF WASHINGTON
TACOMA

Memorandum For: The Honorable Christopher Dodd March 5th, 2009

From: University of Washington Accounting Students:
Vatsana Banouvong
Pranish Sharma
Kasey Schwarz

Subject: IFRS Roadmap and Mark-to-Market Concerns

With the IFRS roadmap proposal under examination and issues of mark-to-market being addressed, we realize several variables are being considered in the decision making process regarding IFRS and U.S. GAAP convergence as well as mark-to-market proposals. We would like to address several of these considerations; presenting our thoughts considering the proposed roadmap for IFRS convergence as well as address the importance of mark-to-market and its relevance to accountancy.

Our Concerns are as follows:

IFRS being more principle based, whereas U.S. GAAP leans toward being rule based, it is time to review our policies and perhaps look at being more principle based as well. This is one reason we consider to be an important reason to switch to IFRS. This should be presented as the underlying intention behind IFRS, encouraging American companies to rethink their values and ways of conducting business. We have considered the following specific points of the convergence being negotiated:

- **Negative Goodwill:** The consideration to switch to IASB's standard is noteworthy of consideration. Allowance of companies acknowledging negative goodwill they should incur could greatly help some of the companies that are struggling from the effects of the current recession.

- **LIFO vs. FIFO:** Regarding this issue, we should stay with US GAAP's position of allowing LIFO instead of following IFRS lead of no allowance of the use of LIFO. LIFO gives a closely accurate and relevant view of inventories, and U.S. companies have for far too long used FIFO inappropriately to reflect their company as more profitable than they truly are. LIFO should be the standard except in rare occasions and only if credible reason can be given.

- **Basis of Property, Plant and Equipment:** If assets are to be re-written to mark-to-market, it must be consistent throughout financial statements. To allow mark-to-market on only certain assets or only for certain financial institutions gives an inconsistent view of companies and their current financial positions. If we are to switch to mark-to-market it should be for all, or at least most, divisions of assets. We need to revalue assets at mark-to-market equally for all cases. Noting the IFRS allows management the choice of which valuation to use, we need to adopt this policy of mark-to-market for the consistency and relevancy it brings to financial statements for credible comparison.

- **Comparative Prior Year Financial Statements:** Concerning convergence of U.S. GAAP and IFRS, we should adopt IFRS' policy regarding this issue. There should be provision of at least one prior year's statements for comparison's sake.

- **Reporting of Non-Mandated Changes in Accounting Policy:** Restating prior year statements should be required in the event a company has a change in accounting policy. U.S. companies may consider changes more carefully, weighing the outcome of their decision and its cost, before casually switching policies from year to year. As is, U.S. companies can too easily make changes to their accounting policies for the sake of making the company appear more profitable at little cost.

- **Reporting Comprehensive Income:** Gains and losses reported need to be required in one section of the income statement. Following IFRS lead on this matter would lead to a higher integral reporting of equity.

We are excited to see the convergence of IFRS and US GAAP currently in motion. The importance of allowing the FASB to continue this process with the authority over decisions that will affect financial accounting within the U.S. cannot be over-emphasized. With regards to the current timeline of the IFRS roadmap, we are concerned it moves too quickly and may make for hasty decisions under time pressures or political pressures that may arise. The current roadmap in place is a good plan, however, extending out the timeline by one year for each deadline would provide more sufficient time while still acknowledging and adhering to the tremendous need for a timely conversion.

Concerning mark-to-market, it should be fully implemented and soon. Current financial positions of companies are skewed by their lack of consistency in valuing of their assets. It is not just financial institutions that must re-value their inventories; it needs to be all competitive firms within the markets. In order for financial information to be comparative there must be a common standard for all involved and it must accurately reflect the firms' current financial positions. If the assets do not reflect the true price they are worth, of what use is it to investors and stakeholders in determining a firm's value to them? While the banks may take a very large hit if they were to revalue their assets to current market values, at least all concerned would get a true picture of the actual financial stance of these institutions. In part, the failure of recording assets at their true value has helped to cause the ruin of these institutions and we believe they must own up to it, revalue their assets, and allow the public access to information that is true and relevant to today's market.

Faith in our country's integrity needs to be restored soon; clear, concise, accurate statements must be presented forthright to the public and we believe the convergence of IFRS and U.S. GAAP as the FASB has proposed it and the re-evaluation of assets to mark-to-market will be the first steps in this direction.

Sincerely,

Vatsana Banouvong
Pranish Sharma
Kasey Schwarz

CC: Mary Shapiro

UNIVERSITY OF WASHINGTON TACOMA

BUSINESS ACCOUNTING STUDENTS
UNIVERSITY OF WASHINGTON TACOMA
1900 Commerce St, Tacoma, WA 98402-3100

Student Accountants 3 MARCH 2009

MEMORANDUM THRU U.S. SENATOR CHRISTOPHER J. DODD (448 Russell Building | Washington D.C., 20510)

FOR SEC CHAIRMAN MARY L. SCHAPIRO (Securities and Exchange Commission Office of Investor Education and Advocacy 100 F St, NE Washington, DC 20549)

SUBJECT: The IFRS Roadmap and Specifically Mark-To-Market (Relevance or Reliability)

The eventual adoption of IFRS is inevitable, but the path or "roadmap" to it must be carefully monitored and adjusted with regard to the greater good of the US economy. A transition in haste could result in ill-equipped, incompetent accounting in accordance with a new set of standards in which the field has little to no practical experience. A firm understanding of the new standards and their implications, specifically IFRS treatment of asset valuation, must take place in order for them to realistically be considered as a replacement for the current US-GAAP based standards. The American Institute of Certified Public Accountants (AICPA), which currently supports the roadmap to IFRS, would seem to agree as it has already created www.ifrs.com, a resource aimed at immediate education which offers IFRS Publications, educational courses, videos and additional sources of information. The AICPA is not alone in this mission for timely education of the accounting field; Deloitte & Touche is forming an International Financial Reporting Standards University Consortium, and Ernst & Young is working with Universities to develop IFRS curriculum through its Academic Resource Center.

The SEC's November roadmap to IFRS was created with good intentions, but may move too quickly with its goals. We feel that you (Chairman Schapiro) have realized this as you have already indicated that you do not wish to be bound by the current timetables laid out in the proposed roadmap. This opinion has been echoed in the field within organizations such as the National Association of State Boards of Accounting who recently urged the SEC to withdraw from the current roadmap to IFRS (which calls for outright adoption), and instead move toward a slow and meticulous <u>convergence</u>. This would allow for some give and take that would make for a smoother transition from US GAAP as it is today, to the eventual International Financial Reporting Standards of the future. IFRS itself is currently evolving outside of the U.S. almost daily, therefore the U.S. should not bind itself with a timetable to comply with a standard that is in a state of constant change within current foreign markets. Ideally, the two standards would parallel each other within our own country, until eventually, the best of each has been converted into one agreed upon international standard. At the same time, the nation's universities would have time to develop (1 year), implement (2-4 years), and improve on (3-5 years) an IFRs curriculum which would prepare current and future accountants for the change.

Enforcement of a global standard. At this time there is no world enforcing agency that oversees all the countries who have adopted IRFS. It is understood that every country has sovereign rights as to how they execute and enforce their regulations and laws, but isn't this lack of global oversight defeating the purpose of having one standard around the World, as those countries can and have changed IFRS to meet their own needs? Israel, for example, has adopted IFRS for the most part, yet has made changes to better accommodate its banking and financial industries. While this sounds like an admirable and very optimal course of action for every IFRS adopting country to follow, it begs the question "why make the change in the first place?" FASB and IASB have been working together to unify the two sets of accounting standards. According to the FASB website, FASB and the IASB "will create a global advisory group comprising regulators, preparers, auditors, investors and other users of financial statements. The advisory group will help to ensure that reporting issues arising from the global economic crisis are considered in an internationally coordinated manner." Will the product of this advisory group be written in stone, or will it too be up for debate within individual countries? Perhaps it will only pertain to the U.S. version of IFRS, and if that is the case then how will it effect the financial reporting of foreign companies listed in the U.S. Stock Exchange?

Relevance vs. Reliability - "Going back to the basics." In a recent Wall Street Journal article titled "A Scion Drives Toyota Back to Basics", Toyota's incoming president, Akio Toyoda, said that the company his grandfather founded 72 years ago has become too fancy for its own good. Mr. Toyoda maintains kakushin, or "revolutionary change", spawns technological innovation that comes at a cost. His conclusion is that these increased production costs have led Toyota astray from its core ideas of thrift and efficiency. Consequently, Mr. Toyoda has called for a return to these core beliefs by going back to the basics.

The basics of accounting are relevance and reliability. In a perfect world, asset valuation would always be equally relevant and reliable. The real world, however, requires accountants to choose between the two. Traditionally conservatism, which favors reliability over relevance, has won out. That is until recently when some kakushin hungry accountants decided this is the right time for a "revolutionary change" in financial reporting standards. Newly adopted FMV, or mark-to-market, requirements are evidence of this fundamental shift. Unfortunately, this departure from reliability to relevance could not have come at a worse time. The current credit crisis has brought these two principles to a dangerous crossroads where, like Aiko Toyoda, it is now the responsibility of the SEC, AICPA, and FASB to step in and go back to the basics by re-establishing a conservative attitude that favors reliability over relevance.

Relevance – "At what cost?" Senator Dodd is not alone in his recent observation that some mark-to-market rules may need to be "tweaked". A BusinessWeek article titled "EU eases mark-to-market rules" explains how the European Commission decided to "tweak" IFRS mark-to-market rules last October. European banks were allowed to reclassify Level Three, or "toxic assets" like Mortgage Backed Securities, from "held-for-trading" to "held-to-maturity". While these tweaks may be beneficial in the short-term, they unfortunately do not address the root problem when it comes to mark-to-market accounting, the overall cost of relevance. Outside of the obvious implementation costs facing companies, FMV accounting moves volatility from where it belongs, on "The Street", to the balance sheet. Accounting should serve as the reliable bedrock on which innovation and the act of "creative destruction" is built. While having relevant information is important, first and foremost financial statements should be reliable. The quest for offering predictive value via financial statements needs to be sacrificed in favor of reliability. Though it is obviously not ideal, volatile economic times where bubbles balloon and burst require reliable irrelevant data versus unreliable relevant data. To reiterate, the primary purpose of accounting is to record and report events (snapshot in time); not speculate on asset valuation. Speculators (investors) make money by reading between the lines of reliable irrelevant financial statements. Accountants are not currently equipped, or educated, to accurately value most sophisticated investment vehicles. Valuation should therefore be left where it belongs, in the hands and wallets of speculators and investors who are willing and able to put their money where their mouths are.

Fundamental motivation for adoption – "Greed." When the markets were extremely liquid and robust this push for kakushi, towards relevant valuation of investment securities, initially came specifically from two massive market players; the public accounting and financial management/banking sectors. Now that these same markets have soured, the silence of many large public accounting firms regarding the value of newly imposed relevancy-focused mark-to-market standards speaks volumes. While the public accounting industry stands quietly on the sidelines, their financially-based clients are speaking out. Not surprisingly, last November the American Bankers Association (ABA) came out and officially announced their opposition of mark-to-market rules. This short sighted perspective and position from most public accounting firms represents an obvious potential windfall of profits. However, it will most likely come at a cost, because as the market contracts and more businesses go bankrupt their client pool will dwindle. While these negative outcomes may be temporarily postponed, they will eventually become yet another example of one industry biting the hand of another industry that feeds it. Eerily similar to what is currently occurring between the housing, mortgage, and investment industries.

In conclusion, whether we are talking about a convergence with IFRS versus an all out adoption, or a move to mark-to-market in an attempt to make financial statements a more predictive tool, the biggest challenge facing us today is readiness. Is the field of accounting ready for these changes both sociologically and educationally? The information we have received from fellow students and those who are working in the accounting field is no, there is a sense of fear and anxiety. We are seniors at our university who have had no relevant training on IFRS other than an introductory class, and yet we are being looked upon by employers as subject matter experts who can infuse their employees with the tools necessary to be successful when the change to IFRS comes. We simply ask that you make sure that the knowledge infrastructure within the accounting field is securely in place before making this monumental transition.

This memorandum is not intended to persuade our legislative and financial leaders out of the transition to IFRS as the transition is already underway. It is a reminder to those who are counted on to make the tough decisions in these dire and trying times that the students of today are the Honorable Senators and SEC Chairmen of tomorrow. No matter how difficult the current environment may seem, history must show that when it came to the IFRS transition and the adoption of a mark-to-market standard, our leaders made the best decisions with the most level of heads, and had the foresight necessary to ensure that those decisions did not come at a higher cost.

Devin A. Reynolds
Daniel B. Radloff
Inna P. Mashnitskaya
Jason R. Miller

Milgard School of Business
UNIVERSITY OF WASHINGTON
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Memo

To: Securities Exchange Commission

From: Katie Maas, Amanda Snow, Olga Kuhn-Beatty, Katie Loiland

CC: Chris Dodd

Date: 3/12/2009

Re: IFRS conversion roadmap and the concerns of "mark-to-market" of Investment securities

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The IFRS Conversion Roadmap has been anticipated by most for a while. In our opinion, it is a positive transition that will pay off in the coming years. Moving to IFRS will enhance the ability to compare financial information of U.S. companies with the financials of international companies. The number of U.S. investors holding securities of non-U.S. issuers is constantly increasing, and can only benefit by this conversion. This single and widely accepted set of high quality accounting standards would benefit the global capital markets, as well as U.S. investors because there will be a common ground for investors and issuers to evaluate, even in different jurisdictions. The investors will be in a better position to make informed investment decisions with a single set of accounting standards. This roadmap tells us that approximately 113 countries around the world already require or permit IFRS reporting for both domestic and listed companies, making our transition to IFRS an eminent destination.

The current joint projects between FASB and IASB on revenue recognition and the presentation of financial statements should be completed before the final decision to mandate is reached. There needs to be an agreement on how these highly important processes will be carried out. One method needs to be decided on by the two boards along with how the financial statements will be presented before the final process is complete. One of the issues that we face with the presentation of the financial statements is the appearance of the income statement between the two accounting methods. For example, Europe, which already uses international accounting standards, is primarily a debt market, while the U.S., which uses GAAP, is primarily an equity market. Therefore, there are different needs in these different markets; thus, it is going to be hard to settle on one presentation format. It would be unsettling to investors to make changes in the presentation of financial statements under the current economic conditions.

The treatment of property, plan, and equipment must also be decided upon before we change to IFRS to further prevent any issues that may arise at a later date. In regards to this concern, we believe that

IFRS should be followed due to the further clarification on PP&E that it provides. IFRS states that if one item of PP&E is revalued, then the entire class of assets to which it belongs should be revalued. This doesn't allow for only selectively restating specific assets that would make companies appear more financially sound. IFRS allows for the true market value of PP&E to appear on the financial statements, as it allows for assets to be written up in addition to writing them down to fair market value.

Following Canada, the United States is recognizing the increased globalization of capital markets, and that companies in the United States should also adopt globally accepted, high quality accounting standards. If in 2011 the SEC decides to mandate companies to report using IFRS, U.S. GAAP will then be eliminated. We agree completely with mandating IFRS for the ease of investors and issuers. By having one set of standards, financial statements will be much easier to follow. However, taking this a little slower, so private companies and auditors can be more familiar with it, would be ideal. In our opinion, the staged transition being considered would cause more confusion. All public companies should be required to make this transition at the same time rather than doing it by size. Using U.S. GAAP in some companies and others in IFRS, would create a temporary dual system of reporting.

Another concern with this transition is the increasing need for effective training and education on IFRS for accountants, investors, auditors, and anyone else involved in the preparation of financial statements. With this need for continued education and training, we believe that the government or SEC should provide reimbursement of the costs of training for personnel of issuers, their governing bodies, such as audit committees, and their auditors.

As a whole, this transition is an effective change in the accounting standards. Investors will benefit from more emphasis on principles-based standards rather than rule-based standards. Judgment provides something unique for each company or industry, where rules are the same for different types of transactions, avoiding its substance. Using IFRS and its principles-based standards will leave less room for fraud, such as the Enron issue, which was not caught using rule-based standards. We fully support permitting a limited amount of U.S. companies to present financial statements using IFRS at the end of the 2009 fiscal year.

The temporary suspension of the mark-to-market rules during this economic crisis would be disastrous to the markets. Today, the market conditions remain at a poor level due to the fact that there is too much uncertainty, and therefore too much risk in the markets than investors are willing to accept. To get rid of the fair value accounting for securities would be detrimental, as it would only increase the level of uncertainty and scare away more investors.

Fair value accounting is relevant and necessary. To use historical cost for financial instruments would not disclose the true position of the company. To say that these instruments are not being appraised fairly is unjustified. Some investors think that the market value is skewed, and would result in having assets on the books at fire sale prices, and that taking an unrealized loss on the assets would not be fair because a lot of companies would not sell their once golden investments in this current market. For example: a buyer would not buy a house according to what the value was at the peak of the market in this down economy, they would want to pay a fair price to that is consistent with current market valuations. Mark-to-market shows the current position of a company and not the past or future position. If a company intends to not fully realize their losses, they should address this in the annual statement to shareholders.

Another problem is that some investors do not understand what it means to have an asset classified under the comprehensive income component of the financial statements. If an item has a loss presented in comprehensive income, it means that it is a valuation loss and a noncash item. The loss would be recognized when the asset is sold and then it would appear on the income statement. The only valid argument against current mark-to-market rules would be that International Accounting Reporting Standards allows asset valuation to be adjusted upwards or downwards to the market value and current U.S. GAAP does not permit upward valuation on assets that have been written down. This however will be changing during the conversion to IFRS, which has been currently suspended.

Regarding the buyout of some of the toxic assets by the government, there is the concern of further market devaluation. With foreclosure rates and delinquent mortgages, which will remain high, the toxic assets will continue to be devalued, regardless of whether the buyout occurs. If the government does step in and buy up some of the bad assets, it may help the economy hit a new low, and therefore bottom out, therefore making way for new improvements in the market. The economy fell through due to mortgages going into foreclosure, and poor quality mortgage backed securities, so going back to the route of the problem should strengthen the economy in the long run.

FASB statement 157 will help further clarify any issues of how to value investments at fair market value. Prior to this statement being issued, there were various definitions for fair value and inadequate direction for applying those numerous definitions. This statement has developed a framework for applying fair value in GAAP, which may help will the current valuation of investments in this economic crisis.

The problem is the bad assets and not the accounting guidelines. There is no problem with the accounting rule in question, but the toxic assets that have brought the rule into question. When the markets were booming and the economy was on the rise, mark-to-market investments were considered a new and improved method for valuating assets. Now that the economy has taken a turn for the worse, it has shown that fair value is not always in our favor, therefore giving this valuation tool a bad name. Therefore, it is not the accounting rule that is the problem; the bad assets are. It is essential that we do not suspend the fair value rules, as this would be a step in the wrong direction with regard to the conversion over to IFRS.

We believe that the transition to IFRS should be extended to 2014; this would benefit not only U.S. companies by simplifying financial reporting globally, but would help investors be able to analyze different companies more efficiently and effectively, since the financial statements would be more easily comparable. With regards to mark-to-market, the current rules should be enforced. The toxic assets are the problem, and not the accounting rules.

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Memorandum For: The Honorable Christopher Dodd — March 5th, 2009

From: University of Washington Accounting Students:
Vatsana Banouvong
Pranish Sharma
Kasey Schwarz

Subject: IFRS Roadmap and Mark-to-Market Concerns

With the IFRS roadmap proposal under examination and issues of mark-to-market being addressed, we realize several variables are being considered in the decision making process regarding IFRS and U.S. GAAP convergence as well as mark-to-market proposals. We would like to address several of these considerations; presenting our thoughts considering the proposed roadmap for IFRS convergence as well as address the importance of mark-to-market and its relevance to accountancy.

Our Concerns are as follows:

IFRS being more principle based, whereas U.S. GAAP leans toward being rule based, it is time to review our policies and perhaps look at being more principle based as well. This is one reason we consider to be an important reason to switch to IFRS. This should be presented as the underlying intention behind IFRS, encouraging American companies to rethink their values and ways of conducting business. We have considered the following specific points of the convergence being negotiated:

- **Negative Goodwill:** The consideration to switch to IASB's standard is noteworthy of consideration. Allowance of companies acknowledging negative goodwill they should incur could greatly help some of the companies that are struggling from the effects of the current recession.

- **LIFO vs. FIFO:** Regarding this issue, we should stay with US GAAP's position of allowing LIFO instead of following IFRS lead of no allowance of the use of LIFO. LIFO gives a closely accurate and relevant view of inventories, and U.S. companies have for far too long used FIFO inappropriately to reflect their company as more profitable than they truly are. LIFO should be the standard except in rare occasions and only if credible reason can be given.

- **Basis of Property, Plant and Equipment:** If assets are to be re-written to mark-to-market, it must be consistent throughout financial statements. To allow mark-to-market on only certain assets or only for certain financial institutions gives an inconsistent view of companies and their current financial positions. If we are to switch to mark-to-market it should be for all, or at least most, divisions of assets. We need to revalue assets at mark-to-market equally for all cases. Noting the IFRS allows management the choice of which valuation to use, we need to adopt this policy of mark-to-market for the consistency and relevancy it brings to financial statements for credible comparison.

- **Comparative Prior Year Financial Statements:** Concerning convergence of U.S. GAAP and IFRS, we should adopt IFRS' policy regarding this issue. There should be provision of at least one prior year's statements for comparison's sake.

- **Reporting of Non-Mandated Changes in Accounting Policy:** Restating prior year statements should be required in the event a company has a change in accounting policy. U.S. companies may consider changes more carefully, weighing the outcome of their decision and its cost, before casually switching policies from year to year. As is, U.S. companies can too easily make changes to their accounting policies for the sake of making the company appear more profitable at little cost.

- **Reporting Comprehensive Income:** Gains and losses reported need to be required in one section of the income statement. Following IFRS lead on this matter would lead to a higher integral reporting of equity.

We are excited to see the convergence of IFRS and US GAAP currently in motion. The importance of allowing the FASB to continue this process with the authority over decisions that will affect financial accounting within the U.S. cannot be over-emphasized. With regards to the current timeline of the IFRS roadmap, we are concerned it moves too quickly and may make for hasty decisions under time pressures or political pressures that may arise. The current roadmap in place is a good plan, however, extending out the timeline by one year for each deadline would provide more sufficient time while still acknowledging and adhering to the tremendous need for a timely conversion.

Concerning mark-to-market, it should be fully implemented and soon. Current financial positions of companies are skewed by their lack of consistency in valuing of their assets. It is not just financial institutions that must re-value their inventories; it needs to be all competitive firms within the markets. In order for financial information to be comparative there must be a common standard for all involved and it must accurately reflect the firms' current financial positions. If the assets do not reflect the true price they are worth, of what use is it to investors and stakeholders in determining a firm's value to them? While the banks may take a very large hit if they were to revalue their assets to current market values, at least all concerned would get a true picture of the actual financial stance of these institutions. In part, the failure of recording assets at their true value has helped to cause the ruin of these institutions and we believe they must own up to it, revalue their assets, and allow the public access to information that is true and relevant to today's market.

Faith in our country's integrity needs to be restored soon; clear, concise, accurate statements must be presented forthright to the public and we believe the convergence of IFRS and U.S. GAAP as the FASB has proposed it and the re-evaluation of assets to mark-to-market will be the first steps in this direction.

Sincerely,

Vatsana Banouvong
Pranish Sharma
Kasey Schwarz

CC: Mary Shapiro

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To: U.S. Securities and Exchange Commission; Chairman Shapiro

CC: Senator, Christopher Dodd

From: LeiAnne Eshe, Yuet Tam, Daniel Weaver; Accounting Students at the University of Washington – Tacoma, Washington

Date: March 12, 2009

Re: File Number S7-27-08

We would like to take this opportunity to make comments on the Roadmap for the potential use of Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS) by U. S. issuers, specifically addressing the recent concerns of 'mark-to-market' investment securities and the roadmap itself.

We believe that the current perception that Mark-to-Market has destroyed great amounts of capital is a failure to recognize that fair value measures were in place long before the guidance of SFAS 157. In fact, it has brought us to the sobering reality that recent financial market innovations have put the entire global market-place at risk by creating such strong interdependence on the performance of other institutions. Since the SEC is responsible for enforcing consequences in instances of abuse it should not now act to relieve such consequences. If we truly believe that the U.S. has a mature and responsible economy, then we must allow it to learn from its mistakes in order that they may not be repeated. We see the guidance of SFAS 157 as an accountability measure to the recent development of financial innovation. However, we agree with the findings of the SEC's research project that there is still room for improvement so that the punishment might not become greater than the crime.

As students, it would be inaccurate to say that we fully understand the scope of the current situation. However, we understand that short-term thinking cannot readily produce long-term benefits. We would like to see the SEC focus on forward progress. Many government agencies and leaders are focusing on ways to fight the recession. As a regulatory body, the SEC should continue to pursue improved guidance toward the long-term goals of the accounting practice to improve the quality of financial statements. There is no telling what short-term efforts to ease the pain of Mark-to-Market applications will produce. However, investor confidence and effective flow of good communication in the financial sector can only promote an improved economy.

The Roadmap to IFRS adds accountability to our own standards and to the actions of the IASB. By requiring improvements to the governance of the IASB and to IFRS standards before full integration, the SEC is raising the bar of reporting standards worldwide. The current Roadmap requires the IASB to improve guidance for issues such as accounting for insurance contracts and for extractive activities (section III.A.1). It also requires a comprehensive and high quality solution to the differences between IFRS and U.S. GAAP for revenue recognition and financial statement presentation. So long as these and other defined concerns are fully addressed, this should provide users worldwide with more effective disclosure of financial data. Similarly, the requirement of section III.A.2 for the FASB to further investigate options for improving oversight of the IASC Foundation by a public body will add stability to the national adoption of IFRS. It is our understanding that IFRS is currently applied inconsistently throughout its effective scope. If transparency and comparability of financial statements is to be achieved, there must be greater accountability for standards setters as well as the users and providers of financial information.

U.S. industrial leaders already use IFRS in their financial statements in other countries for cross-listing purposes. If U.S. industrial leaders have the ability to choose IFRS after December 2009, the early adopters will help to create a benchmark for measuring and comparing financial information and will also assist in creating a smooth transition process. The current Roadmap provides all public listed companies to adopt IFRS in the year 2014, which consequently allows for comparability in the global market based economy. Drug industries would benefit by using IFRS because these entities could capitalize their pipeline developments in the balance sheet. Also IFRS recognizes internally generated intangibles such as franchises, patents, copyrights, customer list, computer software development cost, website development costs and internal use software developing cost. These could help high technology and biochemical technology industries raise capital in the stock market. The use of IFRS not only requires the write down of PP&E due to impairment, but also the write up of these assets to reflect their market value. This could prevent entities from creating a big bath situation in financial statements, which is misleading to stakeholders. In addition, under IFRS, users could easily evaluate the financial situation to determine whether an entity has a going concern problem since IFRS provides for the funded status of huge pension plan obligations on the balance sheet. Users could make their own judgment by using up-to-date, relevant accounting information by converting to IFRS.

We agree that mark-to-market should remain in this time of uncertainty. Our belief is in keeping with the guidelines established and supporting the roadmap. To continue on a path of forward thinking behavior instead of backtracking and trying to suspend standards that have already been set. Don't change the rules in the middle of the game. This is an opportunity to make the system efficient. As with any new standards or regulations, timing is a challenge and that is especially true in today's uncertain economy. The current timeline has been structured in a way to be implemented in stages: early adopters, accelerated filers, and non accelerated filers. This is a practical way for smaller companies to learn from larger companies and to establish benchmarks in moving forward. The conversion will bring us closer to an efficient system and ultimately provide greater comparability, relevance and transparency.

[illegible signatures]

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TO: The Securities Exchange Commission

FROM: Jared Postlethwaite, Ryan Sjoberg, Young Shin

DATE: 5th March, 2009

SUBJECT: Mark to Market Accounting and IFRS Roadmap

Recently, we have heard that Mary Schapiro, the new chairman of the SEC, has expressed several concerns over the SEC's IFRS roadmap. While the uncertainty that comes with making such a drastic change is high, many regulators, including the SEC, have recognized that IFRS are internationally accepted. Investor's confidence in our market system has diminished greatly during the past couple of years leaving companies hurting for capital. By adopting a global set of accounting standards, the ability to compare companies increases and that will encourage the investment of more money into our capital markets. With so many countries already using IFRS and the relationship the US has with these countries, we believe it is astounding that it has taken so long to get the ball rolling.

The IFRS Roadmap

We have to agree with Mary Schapiro that the roadmap's pace may be moving too fast, however, the roadmap provides ample flexibility. We believe that the roadmap should continue to be followed at this time. Currently the roadmap does a good job addressing these concerns by allowing the decision whether to mandate IFRS occur in 2011. This decision will be made only if certain criteria have been met. The initial phase of the roadmap gives the largest companies within their industries the option to file with IFRS. It is still up to the corporation to make that decision, and thus only companies that wish to file IFRS are doing so at this time. Although there is a lot of uncertainty in capital markets and local economies right now that could delay the mandatory switch to IFRS, we see no reason to stop the progression of the roadmap at this time.

It will be important to take into account the state of the economy when implementing new practices that will cost companies time and money. An article on CFO.com "SEC Pushes Back IFRS Roadmap" by Sarah Johnson states that the costs of implementing new standards and changing from US GAAP to IFRS reporting have been estimated by audit firms to cost between .5% and 1% of a company's annual revenue as well as two to three years of hard work. Mandating companies to make the switch and absorb the additional costs during times of hardship could produce devastating results that could ultimately delay our economy's stabilization. There are certain provisions in the roadmap for the commission to evaluate the degree that the FASB and IASB have completed their joint projects that are expected to improve financial reporting. Given Mary Schapiro's position and authority with the commission, the quality of the rules coming from the joint projects should only be a small concern at this time given the progress they have made so far. Ultimately, under the roadmap, companies are making their own decision to make the switch to IFRS, and only when the SEC believes that the conditions are right will the decision be made to mandate IFRS. As we saw with the implementation of Sarbanes-Oxley in 2002, the costs are necessary to insure the transparency and comparability of financial statements. Additionally, the conversion to IFRS will save companies money in the long run by eliminating the costs involved with reconciling financial statements from international subsidiaries. Further, by 2011 the SEC will be able to evaluate the early adopters of IFRS and use that information to help in the decision process for mandating future use. Thus, there is no reason to abandon the roadmap at this time.

Accountability of the IASC Foundation

Additional concerns of Chairman Schapiro are with the accountability and independence of the IASB as well as their ability to deflect political pressure. We believe that the IASB is independent and they are able to deflect political pressures. Currently, both the IASB and the Financial Accounting Standards Board are under the Norwalk agreement, developing a high quality set of accounting standards that are compatible with both US-GAAP and IFRS. Additionally, the IASC foundation is already working towards attaining sustainable broad-based, compelling, open-ended and country specific funding. This process took effect for 2008 and will continue into the future. Already, the IASC has made significant steps towards these goals, having over 20 million English Pounds from thousands of market participants committed. The IASC's annual report discloses from which entities their funding is received from. US companies, the second largest contributors, alone contribute over 2 million Pounds, while the most funding is provided by international accounting firms such as the big four among others. Additional sources of funding come from hundreds of other governmental and private entities across dozens of countries. The Financial Accounting Foundation, the overseer of the GASB and FASB on the other hand, receives around 96% of its funding from purely US sources through the Sarbanes-Oxley act. The IASB's board members are also from the same diverse backgrounds, ensuring equal representation from around the globe. Also, the IASC, as of February 1st, has a Monitoring Board that will oversee the 22 trustees of the IASC. Members on this monitoring board consists 6 members of high level economic agencies from around the world, including the Chairman of the SEC, Mary Schapiro.

In regards to the quality of the accounting standards coming from the IASB, we believe there is little cause for concern since they are currently working on joint projects with the FASB. As for non-joint projects, the IASB follows closely the model of the FASB when developing their standards. Before mandating the IFRS switch, the SEC plans on reviewing "degree of progress" that the IASB and FASB have made on these joint projects to ensure that the quality is acceptable. Based on these facts, we endorse the Monitoring Group composed of securities authorities as proposed by IASC foundation. It will be a strong role model to fend off political pressure or improprieties in exercising the IAS Board's practice. As a further precaution, it is in our opinion that the FASB should have a larger presence at the IASB, and so another liaison from the FASB should sit on the IASB.

Mark to Market

Recent remarks made by Senator Christopher Dodd about modifying mark-to-market rules cause us great concern. We believe that mark-to market rules should remain unchanged. Mark-to-market accounting is an important part of the transparency that is always demanded of financial statements.

Enron shows just how important disclosure in accounting is. A December 2008 study by the SEC, in response to section 133 of the Emergency Economic Stabilization Act supported by Senator Dodd, found that not only were mark-to-market rules not to blame for the current economic crisis, but that investors highly regarded the clarity and comparability provided by fair value accounting. In multiple round table discussions, fair value accounting was defended again and again. We strongly agree with this report. Suspending, or even changing, mark-to-market rules would only serve to further confuse investors and the market as a whole. Investors want to see consistency and clarity, which is something hard to observe in current market conditions. The last thing that investors want to do right now is attempt to learn another accounting rule and study its effects on their investments. The high-levels of uncertainty that are plaguing our market would surely be amplified by what could be simply described as "hiding" the true value of the investments that companies own. For these reasons, we cannot recommend any alterations to mark-to-market accounting.

Conclusions

As supported by our statements, we believe the IFRS roadmap should continue to be followed as currently laid out. The flexibly provided during the early years of the map will aid the SEC's decision in 2011 whether to mandate or postpone the Adoption of IFRS for US listed companied. The option to adopt now allows companies to prepare for the eventual adoption of IFRS, while not being forced into an expensive process they may not be prepared for, will give the SEC valuable insight into whether or not the market as a whole is capable of adopting IFRS in the timeline given. The IASC foundation has diverse funding sources, membership, and a Monitoring board that serve to maintain a high level of independence. The FASB will continue to work closely with the IASB towards ensuring the highest quality of accounting standards globally. Under no circumstances should mark to market rules be bent for anyone. These rules are in place to protect investors and by making changes to clean up a balance sheet serves to only hide the true value of a firm from the market. This lack of clarity would further deter investors from our capital markets. Investors strongly utilize mark to market rules when evaluating the companies they chose to invest in. While some decisions may have immediate short term effects, these times call for careful evaluations of long term plans for the future. We understand the complexity of the decisions that need to be made, and want to thank you for taking the time to hear our recommendations.

Sincerely,

Ryan Sjoberg

Jared Postlethwaite | Ryan Sjoberg | Young Shin

Milgard School *of* Business
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TACOMA

March 17, 2009

Mary Schapiro, Chairwoman
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

References: *Report and Recommendations Pursuant to Section 133 of the Emergency Economic Stabilization Act of 2008: Study on Mark-To-Market Accounting*; SEC Request for Comment, 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 Chairwoman Schapiro:

The current economic crisis has spread like a wildfire from the housing market and financial industries to engulf entire economies on a national and international scale. The seriousness of this current economic crisis should not be understated. It has the potential to threaten not only economic institutions, but political and social institutions as well. As the Federal Government moves forward in its attempts to dampen this rapidly spreading financial crisis, it is important that it seek to identify the conditions that triggered this crisis and fueled its spread.

While the housing crisis spread rapidly to financial institutions in 2008, critics of fair-value accounting called for the suspension of SFAS No. 157. They claimed mark-to-market accounting provided a ready accelerant, spreading instability from the housing sector into our financial institutions by requiring financial institutions recognize staggering write-downs to the value of their investment portfolios. Congressional leaders joined with the critics mandating the SEC, in conjunction with the Federal Reserve and the Secretary of the Treasury, conduct a study on the impact of mark-to-market accounting standards.

The study, Report and Recommendations Pursuant to Section 133 of the Emergency Economic Stabilization Act of 2008: Study on Mark-to-Market Accounting, published by the Staff of the SEC provides a comprehensive analysis on the impact fair-value accounting standards in the current crisis. The report finds fair-value accounting standards were not the underlying cause of the current crisis. In addition, the report recommends the continuance of existing fair-value accounting standards and provides suggestions for their further improvement. In spite of the published findings, politicians, including Senator Christopher Dodd, continue to suggest that a temporary suspension of SFAS 157 may ease the current crisis facing the banking industry.

We believe the view of Senator Dodd and others calling for a suspension of fair-value accounting standards for investment securities is myopic. We are writing in support of the SEC, FASB, and AICPA in their continued defense of mark-to-market accounting standards, and the underlying principles upon which those standards are built.

In the midst of this economic crisis, we acknowledge that the disclosures related to fair-value of investment securities are painful. In some environments, the market may undervalue assets, requiring financial industries to recognize large write-downs of financial securities. Despite these threats, we believe that SFAS 157 and 157d will improve the consistency, comparability, and transparency of financial disclosures relating to investment securities by providing important guidance and clarification in the application of fair-value accounting principles.

Often mingled with the false alarm sounded over mark-to-market accounting are questions regarding FASB and SEC's published timelines for convergence of US GAAP with IFRS. These concerns often start with the increased use of fair-value reporting in IFRS and spread to additional concerns. Some critics complain of the financial burden instituting new accounting standards will place on public corporations already threatened in the current economic crisis. Other critics express concerns with the proficiency of public accountants and auditors, trained in US GAAP, to implement effectively the new standards. Critics also question IASB's governance structure and their ability to maintain independence in the face of heavy lobbying from special interest groups. Philosophical debates rage between the supporters of US GAAP and IFRS, over the relative strengths and weaknesses of the principle-based accounting standards of IFRS vs. the rules-based U.S. GAAP accounting standards.

We believe the development and application of universal accounting standards has the potential to improve the efficiency and effectiveness of global markets. By providing an international language of disclosure and transparency, a single set of standards will endow investors with better tools to evaluate investment decisions, significantly improving investor confidence in global capital markets. However, we also respect the arguments expressed by critics of the SECs current roadmap for convergence. The rapid transition outlined in the SECs roadmap increases the inherent risk for the inconsistent application of accounting standards by management and auditors untrained in their application. Among countries that have already adopted IFRS, significant variations in the interpretation and application of the standards still exists. These variations diminish the potential impact a universal set of accounting standards could have in global markets. These latent risks will undermine the comparability and reliability of financial statements further shaking investors confidence in their relevance.

Additionally, we believe the development of accounting standards should be guided by underlying principles, with standard setters independent of special interest groups. In our opinion, the IASB has not demonstrated this independence. Until concerns with IASB's governance are resolved, FASB should remain as the US GAAP standard setter. There are significant accounting issues yet to resolved in the convergence between US GAAP and IFRS, including revenue recognition and rules for first time adopters of IFRS. The SEC should delay its proposed roadmap until these issues are adequately addressed. Global markets and investors will both benefit from an orderly and considered integration of US GAAP and International Financial Reporting Standards.

Respectfully,

Nhung Doung, Jeff Gullickson, Deborah Nickel, Tzu-Han Shen
Undergraduate Students at University of Washington Milgard School of Business

cc: Senator Christopher Dodd

Memorandum

Date: March 17, 2009

To: Sen. Dodd, Chairman Shapiro

From: Ju Yun, Miki House, Hung Nguyen, Matt Nixon, Yuliya Pronina

Subject: Roadmap to IFRS

We are writing in regards to the SEC's recently proposed roadmap to IFRS. There has been much debate among the business community leaders regarding the adoption of IFRS and the timeline in which that change should be made. One of the main points of discussion is mark-to-market accounting and its affect on the current credit crisis.

Mark-to-market has been a subject to a lot of attacks. In our opinion, in the era of highly complex financial instruments it is vital for financial reporting to have mark-to-market accounting. In current adverse economic and political conditions, making adjustments to rules related to mark-to-market accounting would create more uncertainty and chaos. Especially during this credit crisis when trust and confidence among market participants is bleak, mark-to-market is a major step in the right direction to restore these lost values. The days of old historical and verifiable data has come and gone. Financial professionals and investors are demanding a more relevant set of financial reports and mark-to-market facilitates that demand. It provides an unbiased value of how the market values securities. Rather than being cautious to move forward, the SEC should work with FASB to see how we can make mark- to- market more reliable.

Mark-to-market is being harshly criticized for playing a huge part in the current credit crisis due to reassessments of asset securitizations and the tremendous write-downs that companies have recorded. Opponents of the mark-to-market are arguing that it is not providing their companies with the time necessary for the assets to correct themselves. However, if there was confidence that these securities would regain value there would be a market for them. It appears that no one understands what the true values of these securities are, so how can anyone say that passing of time would appreciate the value? We do applaud the SEC's judgment not to suspend FASB standard 157. It would be in the nation's interest to continue to accept mark-to-market accounting.

The conversion from US GAAP to IFRS is necessary; it will create a one-set of uniform, high-quality and globally recognized and comparable accounting standard which will facilitate the global flow of capital. However, we agree with NASBA's chairman, Thomas Sadler, that the current roadmap to convert to IFRS by 2014 is too rushed. There are too many obstacles to overcome and the current adverse economic conditions do not provide the best environment for appropriate implementation and convergence. Currently over 25% of US companies use LIFO accounting for inventory and IFRS does not allow LIFO. This could be a shock to most US companies and create large cumulative effects in accounting changes. We must also address revaluation issues associated with IFRS and how they might affect assets, notably fixed assets, which have been recorded at historical cost their entire lives. FASB and the IASB must create guidance on these issues before a required switch is to take place.

One of the major problems is that there is not enough guidance for asset valuations in an illiquid market. As stated above, it is still unclear what these asset securitizations are and what future cash flows they can be expected to produce. Furthermore, in these uncertain economic times, companies do not have the resources to cover the costs of conversion. Reports anticipate the cost of conversion to be 0.5% – 1% of annual revenues. Due to the high costs of user training and changes in information technology systems and operational procedures, a gradual reconciliation would be beneficial for a vast number of banks, credit agencies and various external entities.

Another problem is the lack of IFRS and asset valuation courses offered at college institutions. Many companies are paying for their employees to go to colleges to study IFRS, which is tremendously insufficient. The appropriate classes and the professors that are highly trained and educated in IFRS are not in place to teach courses that will lead to understanding of IFRS and valuation. Since IFRS is more principle based, it requires more knowledge of IFRS to make the correct judgments. To encompass IFRS, new accounting and finance curriculum should be adopted in colleges and universities.

We strongly agree that IFRS adoption is necessary and inevitable. We encourage the continuing efforts of the SEC to work with FASB and FASB's efforts to work with IASB to make the transition to IFRS as smooth as possible. In addition, we believe that the proposed dateline should be extended for an additional five to ten years to ensure the proper adoption and implementation, as well as to give necessary time for the economy to recover from the recession and for the business community to make the needed adjustments. A more extended dateline will also allow for several unresolved accounting issues previously mentioned to be resolved.

UNIVERSITY OF WASHINGTON
TACOMA

March 14, 2009

Mark to Market and IFRS Converging Roadmap

To: SEC

From: Steven Hagel, Matt Flores, Kristen Flores, and Matt Yi (University of Washington Tacoma business students)

In our current economic situation, there is a lot of debate regarding the process of rescuing financial institutions by the U.S. government. We would like to share our concerns with mark to market of investment securities and also some issues about the roadmap to IFRS. The current position of our economy creates challenging scenarios for mark to market and IFRS in U.S. traded companies.

We agree with Sen. Christopher Dodd's concerns with mark to market and feel that some modifications do need to be made to mark to market for U.S. companies. The volatility of today's market has lead to inaccurate valuation of securities. Toxic securities that are illiquid and currently do not have of a market to trade in, are being lead to a valuation through proxies. Once proxies value these assets, they should not be used as values on financial statements that are presented to investors because they can be misleading. The accuracy should be derived from purchase price, and gross proceeds from the sale. This forces the gains and losses to be realized at the time the security is sold.

The purpose of mark to market was to create transparency, but it has turned into a key driver in making business decisions. The volatile market that we are experiencing (with mark to market incorporated) has lead to high earnings management for many companies. The concern of meeting the expectations from Wall Street analysts is creating many companies to either manipulate financial statements or take big baths. The transparency of distressed assets today has influenced many companies to experience a high volume of write-downs. If mark to market had not been reintroduced, many businesses would not have write-downs and our economy could possibly be more stable.

The International Reporting Financial System supports mark to market, but that is not the only reason why we feel the roadmap to IFRS needs to be delayed. The following are two areas for concern in regards to switching to IFRS:

- Switching from LIFO to FIFO in regards to inventory
- Revalued amounts for property, plant and equipment

Based on the conservative approaches of U.S. GAAP with the use of LIFO, inventory within companies will not be overvalued. Inventory that is overvalued by switching to FIFO can lead to inflated net income for U.S. companies. This can be very deceiving to investors as well as the market. This deception contradicts the misleading we discussed with mark to market because this will allow for companies to appear they have more wealth in their inventory then they really do. Mark to market is deceiving because it is taking value out of companies with certain assets whereas switching to FIFO is deceptively adding value into a business.

The next concern for switching to IFRS is it uses revalued amounts for property, plant and equipment. Although this may provide transparency, revaluing assets will cause uncertainty, especially in this current economic state. Real estate has been depreciating and will continue to plummet, if the roadmap to IFRS is implemented too soon.

IFRS is principle based and will eventually direct business decision makers to the manipulation of accounting. It is in the best interest of this economy to hold off on the roadmap to IFRS, at least until the market has established stability. A universal accounting standard is definitely a strong goal to strive for, but when the time is right. We understand that are many benefits to a universal standard of accounting. The adoption of universal standards would create consistency and comparability of financial reporting across global financial markets. Unfortunately, the market is not ready for such a drastic change, especially in our accounting standards. This collapse is the outcome of the implementation of mark to market, which has only caused uncertainty for investors in the market. This has led to the billions of dollars in write-offs and credit defaults.

CC: Honorable Christopher Dodd and Mary Schapiro