Business Roundtable

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April 2, 2009

Ms. Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
150 F Street, NE
Washington, DC 20549-0609

Dear Ms. Murphy:

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

This letter is submitted on behalf of Business Roundtable, an association of chief executive officers of leading U.S. companies with $4.5 trillion in annual revenues and nearly 10 million employees. Member companies comprise nearly a third of the total value of the U.S. stock market and represent over 40 percent of all corporate income taxes paid to the federal government. Business Roundtable companies give more than $7 billion a year in combined charitable contributions, representing nearly 60 percent of total corporate giving. They are technology innovation leaders, with $90 billion in annual research and development spending – nearly half of the total private R&D spending in the U.S.

Business Roundtable supports the efforts of the Securities and Exchange Commission (SEC) to promote the use of a single set of high-quality global accounting standards. Given the global nature of today's capital markets, we agree that investors would benefit from enhanced cross-border comparability of financial statements. We therefore have reviewed with great interest the SEC's proposed *Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards by U.S. Issuers*, SEC Release No. 33-8982 (Nov. 14, 2008) (the "Roadmap"). Notwithstanding the desirability of global accounting standards, we believe there are several significant issues that need to be addressed in connection with the consideration of the final Roadmap.

1. Timetable

The Roadmap sets forth a number of "milestones," which the SEC intends to use in determining whether to mandate the adoption of International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. Under the proposed Roadmap, in 2011 the SEC will evaluate these milestones and decide whether to require the use of IFRS beginning in 2014. We agree that ensuring improvements have been made to the accounting standards is a critical milestone, yet this milestone needs to be more specific and improvements must be prioritized. The final Roadmap should specifically define which convergence projects must be completed, and are therefore required, prior to a move to IFRS by U.S. public companies, and which projects can be finalized at a later date. We believe it is important to focus convergence efforts on the most critical projects to ensure that the standard setters can issue high quality standards, that the users can engage and assist in shaping these high quality standards, and that preparers and investors can have sufficient time to absorb all of the changes.

2. Early Adoption of IFRS

Although we agree that the early adoption of IFRS by companies that are prepared to take this step is desirable and will provide the SEC with valuable information, we are concerned that the manner in which the Roadmap deals with early adoption may be problematic. Given the extensive costs companies are bound to incur in transitioning to IFRS – as well as the possibility that the SEC may not ultimately mandate IFRS adoption – many eligible companies may decline the early adoption alternative. If eligible companies decline to proceed with early adoption because of the risk that IFRS may not be mandated, the SEC will not have the opportunity to review the experiences of early adopters in determining whether to mandate its use. Accordingly, we encourage the SEC to consider the consequences for early adopters if IFRS is not mandated.

For those companies that elect to early adopt, the Roadmap offers two alternatives with respect to disclosure of reconciling information from U.S. GAAP to IFRS. Under Proposal A, a company would provide audited reconciling information from U.S. GAAP to IFRS in a footnote to its audited financial statements in the first annual report that includes IFRS statements. Proposal B would require the provision of the same reconciling footnote, as well as certain unaudited supplemental U.S. GAAP financial information on an annual and ongoing basis. We note that the one-time reconciliation set forth in Proposal A is more cost-effective, which may be a significant consideration in attracting companies to early adopt.

3. Tax-Related Issues

An important issue that must be addressed before IFRS is adopted is the interplay between provisions of the Internal Revenue Code and U.S. GAAP. In particular, Section 472 of the Internal Revenue Code permits the use of last-in, first-out ("LIFO") inventory accounting for tax purposes, so long as it is also used in reporting financial information to shareholders. IFRS, in contrast, bars the use of LIFO under any circumstances. Restricting the use of LIFO for tax purposes will have significant consequences for many public companies. Under LIFO, companies retain older, lower-priced inventory on their balance sheets by recording the most recent, and more expensive, inventory purchased as the first inventory sold. As a result, net income decreases, and, correspondingly, tax liability decreases as well. Thus, many companies that use LIFO may have low-priced inventory on their books, and, if they are required to convert to first-in, first-out ("FIFO") accounting, significant tax benefits could be lost. According to a recent study conducted by the Financial Analysis Lab of the Business School at Georgia Tech, over one-third of U.S. companies use LIFO accounting. Examining the thirty companies with the greatest LIFO exposure, the study found that if FIFO inventory accounting had been used in 2007, on average, pre-tax income would have been higher by 11.97%. Such an increase in pre-tax income would result in considerable additional tax liability for these companies. A solution to the LIFO issue should be established prior to mandatory conversion to IFRS.

Other tax issues need to be addressed as well. IFRS may result in earlier recognition of income from advanced payments, which in turn may result in earlier reporting of income for tax purposes. Additionally, IFRS requires a specific accounting treatment for research and development costs, whereas U.S. GAAP and the Internal Revenue Code provide a choice of accounting treatments with respect to such costs. Companies that alter their tax treatment of these costs in conformity with IFRS will need either to request permission from the Internal Revenue Service for the change or track their book-tax differences. The SEC needs to consider how these tax-related challenges will be addressed in a tax-neutral fashion through IFRS implementation.

4. Contractual Rights and Obligations

IFRS adoption could have significant effects on companies' contractual rights and obligations. Employment contracts, indentures, credit facilities, and other contracts may contain covenants or impose obligations tied to U.S. GAAP. For example, covenants in indentures for debt issued by public companies often require the financial reports or financial metrics that have to be periodically provided to bondholders under the indenture to be prepared using U.S. GAAP that is in effect on the date of the debt issuance.[1] As a result, many U.S. companies will need either

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[1] Although the Roadmap proposes certain conforming amendments to incorporate the concept of IFRS into references to "generally accepted accounting principles" that appear in the securities laws, given that the

to maintain U.S. GAAP books during the period the debt is outstanding or amend their indentures – which may not be practicable in many situations – to allow IFRS to be used for purposes of complying with the financial covenants. We encourage the SEC to consider how this issue can be addressed prior to IFRS adoption.

5. Non-Public Companies

It appears that privately-held companies will continue to use U.S. GAAP after public companies transition to IFRS. Such disparity in accounting standards will raise additional issues for public companies. For example, mergers of private and public companies may face additional delays and costs if the private company involved in the transaction employs U.S. GAAP after the IFRS transition. Similarly, if a public company uses the equity method to account for its investment in a private company, the public company will need IFRS-based information about the private company. Acquiring this information, however, could prove difficult and costly if the private company uses U.S. GAAP.

6. Initial and Ongoing Implementation Issues

IFRS implementation could impose significant burdens and costs on public companies. Companies will need to retrain many of their financial reporting personnel and potentially modify their accounting systems. In addition, companies will need to maintain dual sets of books in order to produce both U.S. GAAP and IFRS financial reports, quite possibly, for an extended period of time. The time and expense to retrain personnel, including those in a financial reporting oversight role (such as senior management and audit committee members), could be significant. Some of these burdens and costs could be eased if the period of dual reporting is shortened or if the transition period were lengthened, as an extended timetable would give companies an opportunity to retrain personnel and may allow for a greater degree of convergence.

In addition, we note that IFRS is a more principles-based accounting system than U.S. GAAP. The shift from a rules-based system to a principles-based system likely will increase documentation requirements as companies will need to establish the basis for additional judgments that need to be made under a principles-based approach. A principles-based system thus will increase costs – both as an initial matter and as an ongoing burden. The adoption of policy statements providing for deference to the use of judgment in accounting decisions could address some of the problems that may arise as a result of the shift to a principles-based accounting system.

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definitions of GAAP that appear in indentures generally are not tied to the securities laws, these conforming amendments may be of limited utility in resolving how to interpret contractual provisions in the indenture.

We appreciate the opportunity to present our views on this subject. Please do not hesitate to contact Larry Burton at Business Roundtable at (202) 872-1260 if we can provide further information.

Sincerely,

John J. Castellani

cc: Hon. Mary L. Schapiro, Chairman
Hon. Kathleen L. Casey, Commissioner
Hon. Elisse B. Walter, Commissioner
Hon. Luis A. Aguilar, Commissioner
Hon. Troy A. Paredes, Commissioner
Ms. Shelley E. Parratt, Acting Director, Division of Corporation Finance