



1800 Gateway Drive, Ste 200
San Mateo CA 94404-4072
(800) 922-5272
www.calcpa.org

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July 29, 2011

United States Securities and Exchange Commission
100 F Street NE
Washington D.C. 20549

Re: File No. 4-600: Comments Regarding “Work Plan for the Consideration of Incorporating International Financial Reporting Standards into the Financial Reporting System for U.S. Issuers – Exploring a Possible Method of Incorporation – A Securities and Exchange Commission Staff Paper, May 26, 2011” (the “Staff Paper”)

The Accounting Principles and Auditing Standards Committee (the AP&AS “Committee”) of the California Society of Certified Public Accountants (CalCPA) is pleased to provide comments on the Staff Paper.

The AP&AS Committee is the senior technical committee of CalCPA. CalCPA has approximately 35,000 members. The Committee is composed of 50 members, of whom 67% are from local or regional firms, 23% are sole practitioners in public practice, 5% are in industry and 5% are in academia.

The Committee supports, with some reservations as stated herein, the Staff Paper, and commends the staff on what seems to be a practical approach for adoption of IFRS in the U.S. The Committee has supported adoption of IFRS as issued by the IASB as the single set of globally accepted accounting standards. However, the Committee recognizes that, while IFRS may provide a global framework, complete adoption of IFRS standards as issued by the IASB may not happen in many jurisdictions, including the U.S., in the foreseeable future and sees the Staff Paper as a suitable next step after the Work Plan published in February 2010. The Committee is restricting its comments to the Staff Paper, and is not commenting on the February 2010 Work Plan.

The Committee would prefer incorporation of IFRS into U.S. GAAP by a certain date in the future. However, it recognizes that convergence of FASB and IASB standards, notwithstanding substantial progress made to date, may turn out to be a longer process than initially envisioned, while at the same time many foreign jurisdictions are adopting IFRS, at

least in some form, but not entirely as published by the IASB. The Committee believes that the Staff Paper would put the U.S. on track to adopt a significant portion of IFRS relatively quickly while preserving current U.S. GAAP in those areas needing further study before adoption in the U.S. or where there are no comparable standards in IFRS. The Committee is concerned that a number of jurisdictions are currently deviating from adopting all of the IFRS as issued by the IASB, and the Staff Paper may leave the U.S. in the same situation, but the Committee believes this is a necessary part of maintaining national standards setters' authority. While the Committee would hope that the IASB can eventually work with the various jurisdictions to achieve more consistent acceptance of IFRS standards as issued by the IASB, it does not see the current deviations as a reason to wait until these differences are resolved before incorporating IFRS into U.S. GAAP.

The SEC needs to decide in the immediate future that it will support the incorporation of IFRS into U.S. GAAP to remove the current uncertainty over U.S. intentions. The "condorsement" approach in the Staff Paper, with some modifications, could provide an appropriate and robust public process to implement such a decision.

The Staff Paper is suggesting a five to seven year time for the transition process of incorporating IFRS into U.S. GAAP. The Committee suggests a shorter period, say three to four years, or less. The U.S. is late among major industrial nations in adopting IFRS and should move quickly to catch up. To achieve this, consideration should be given to a default provision that IFRS will be incorporated into U.S. GAAP by a firm date. The only exceptions would be where there is no IFRS pronouncement, or where incremental disclosures are required for U.S. GAAP, or where the FASB or SEC has concluded that a specific IFRS should not be adopted in the U.S., something that should be rare, but is an important aspect of the "condorsement" approach. Further, during the transition period, there would be constant change in U.S. GAAP as IFRS are incorporated into U.S. GAAP requiring preparers, auditors and users to monitor when various changes become effective and consider the effect of pending changes not yet effective. A lengthy transition period will lengthen the period of confusion caused by these changes and should be avoided to the extent possible.

The Staff Paper states that modification of IFRS for U.S. specific circumstances should be rare and generally avoidable. We agree with this position, but it is important to distinguish between modifications that (i) change measurement, presentation or omit disclosures from (ii) those that might require incremental disclosures. The former changes should indeed be very rare; the latter incremental disclosures may be relatively common, as they may be in other jurisdictions.

Consideration needs to be given filings by foreign issuers following their local version of IFRS which version differs from U.S. GAAP incorporating IFRSs. Should these foreign issuers be required to provide a reconciliation between the two? The Committee does not believe it is desirable or practical to require foreign issuers to follow "U.S. IFRS", but

disclosure of differences and a reconciliation should be considered for financial statements prepared for use in the U.S.

The Staff Paper, as part of minimizing the impact of transition, is suggesting maximizing the number of IFRS subject to prospective application. The Committee agrees with this as practical way to lessen the costs and burdens of transition. But, the Committee believes a "cumulative catch-up" adjustment should be made at the date of initial implementation to avoid ongoing differences between IFRS as issued by the IASB and IFRS as incorporated into U.S. GAAP. The Committee notes that IFRS No. 1 set retrospective application, not prospective, as the basic implementation method. We question how the staff and the FASB would resolve this dichotomy.

While the Staff Paper does not consider the early-adoption option for U.S. issuers, we recommend that the staff give this priority in its considerations. Some very large international U.S. issuers are following IFRS in financial reporting for their foreign entities and are reportedly very interested in adopting IFRS for all reporting.

The context of Staff Paper is U.S. regulators (FASB and SEC) working on IFRSs for use in U.S., and this is appropriate. However, practice under IFRS can be expected to develop across a broad array of jurisdictions and interpretations. Or practice where there is no specific standard may develop, and be used as a reference point for acceptable practice by U.S. and foreign issuers filing in the U.S. The SEC and FASB must be prepared to accept this and be willing to work within the IASB standard setting process if they take exception to the results.

The Staff Paper does not consider the needs of non-SEC issuers. It would appear that, absent any action to the contrary, non-SEC issuers will be faced with new GAAP as IFRS are adopted by the FASB as U.S. GAAP. This is not *per se* an SEC issue, and a number of bodies have described the problem and potential solutions, and the Blue-Ribbon Panel on Standard Setting for Private Companies issued its report in January 2011. It may be dealt with by the FASB, but, if the SEC promotes the adoption of IFRS, it should be very mindful of the effect on non-SEC issuers.

Very truly yours,

A handwritten signature in cursive script that reads "Howard Sibel".

Howard Sibelman, Chair
Accounting Principles and Auditing Standards Committee
California Society of Certified Public Accountants