

November 12, 2007

Ms. Nancy M. Morris  
Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

**Re: File No. S7-20-07**

Dear Ms. Morris:

The American Institute of Certified Public Accountants (AICPA) is pleased to offer its comments on the Securities and Exchange Commission (SEC) *Concept Release on Allowing U.S. Issuers to Prepare Financial Statements in Accordance With International Financial Reporting Standards*.

**General**

The AICPA supports giving U.S. issuers an option to prepare financial statements in accordance International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB).

The AICPA supports the goal of a single set of high quality, comprehensive accounting standards to be used by public companies in the preparation of transparent and comparable financial reports throughout the world. We believe one common accounting language would benefit investors, as well as issuers and the capital markets, because it would facilitate the comparison of reporting entities domiciled in different countries. For purposes of this letter, we are assuming that the SEC will decide to accept from foreign private issuers their financial statements prepared in accordance with IFRS as published by the IASB without reconciliation to U.S. generally accepted accounting principles (GAAP), which is an important step toward achieving that goal. We believe that giving U.S. issuers an IFRS option would be another important step towards achieving that goal, and in the interim would facilitate the comparison of U.S. companies that elect IFRS with their non-U.S. competitors that use IFRS.

Our support for an IFRS option for U.S. issuers is postulated on a manageable number of U.S. issuers choosing the option in the foreseeable future. Should a large number of companies desire to choose the option immediately, however, system-wide readiness would become an issue. Accordingly, we recommend that the SEC solicit information on the number of issuers that are likely to choose an IFRS option immediately to help the SEC form its views on timing of giving such an option.

## **Comprehensive Undertaking**

We believe that the granting of an IFRS option to U.S. issuers should be a comprehensive undertaking. That is, we believe that, if IFRS are to serve as a basis for U.S. issuers' financial reporting, there also must be changes in the auditing, regulatory, and litigation environments.

For example, we encourage the Public Company Accounting Oversight Board (PCAOB) to pursue a strategy that will achieve greater harmonization of its auditing standards with International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB). Such an approach is being used successfully by the AICPA's Auditing Standards Board (ASB) in developing generally accepted auditing standards for audits of nonpublic entities. The approach, commonly referred to as an "ISA base" approach, means, in addition to harmonizing its agenda with the IAASB, the ASB, in creating new Statements on Auditing Standards (SASs), starts with the ISA as the base standard and makes modifications only if changes are deemed necessary to better serve the needs of users of audited financial statements of nonissuers or if modifications are appropriate for U.S. legal and regulatory reasons. We recognize that the PCAOB has been participating in international auditing matters, and believe even more can be done to achieve greater convergence of auditing standards for audits of public companies.

IFRS currently are less detailed accounting standards than U.S. GAAP, and they require the application of sound professional judgment by preparers and auditors. We believe a decision by the SEC to permit an IFRS option should carry within it a decision that the SEC would accept the use of reasoned professional judgment in the application of IFRS. It should also carry within it a decision that the SEC would recognize that the use of such judgment will sometimes yield different outcomes in similar circumstances. Furthermore, we believe that achieving the larger goal of a single set of high quality, comprehensive accounting standards to be used by public companies in the preparation of transparent and comparable financial reports throughout the world will require other regulators in the United States and throughout the world to make similar decisions.

We are concerned that the need to apply professional judgment in resolving more matters under IFRS than under U.S. GAAP might result in more second-guessing by regulators and users and, consequently, increased litigation risk for preparers and auditors. We believe the SEC should work with Congress and with other governmental agencies to explore this potential increased risk and to undertake efforts to mitigate it. The work of the Treasury Department's Advisory Committee on the Auditing Profession and the SEC's Committee on Improvements to Financial Reporting over the next year should include a focus on the changes in the regulatory and legal environment that are necessary for the successful implementation of IFRS by U.S. issuers.

We believe that, if the SEC gives U.S. issuers an IFRS option, the SEC should have in place a well developed plan to solicit user feedback on how well the option is meeting users' financial information needs. The concept equates to the sound business practice of checking with customers after a new product has been introduced into the marketplace. We do not suggest that an outcome of such a process would be to discontinue the option of using IFRS, but rather to determine what, if any, adjustments are necessary to achieve the ultimate goal of a single set of high quality, comprehensive accounting standards to be used by public companies in the preparation of transparent and comparable financial reports throughout the world.

### **Standards-Setting Process**

We are concerned that giving U.S. issuers an IFRS option might to some diminish the sense of continuing importance of the convergence work of the Financial Accounting Standards Board (FASB) and IASB. We believe that that convergence work would continue to be just as important if an IFRS option is given to U.S. issuers as it is today and that it should not be allowed to be affected by giving U.S. issuers an IFRS option. In fact, we would hope that the outcome is to accelerate the convergence process.

We encourage the SEC to use the granting of an IFRS option to promote improvements in the standards setting process, both domestically and internationally. At the international level, we believe continued improvement of IFRS requires an improved funding mechanism for the IASB that would allow the IASB to remain independent and objective. We understand that the IASC Foundation Trustees are currently developing a mechanism for public funding of the IASB's work. We encourage the SEC to engage the IASC Foundation Trustees in that effort. We also believe that continued improvement of IFRS would best be achieved if the IASB continued to take full advantage of the resources available in the United States, and specifically at the FASB. We encourage the SEC to engage the IASB in this regard. At both the domestic and international levels, we believe the FASB's and the IASB's deliberations on certain projects need to progress at a faster rate. We believe better progress could be made if the FASB and the IASB focused more intensely on a smaller number of projects. We encourage the SEC to engage the FASB and the IASB on the progress of their deliberations.

### **Views Limited to Issuers**

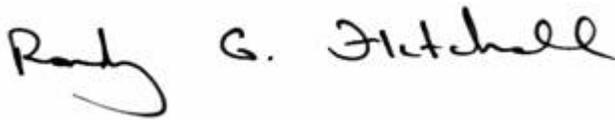
Our views, as expressed herein, relate to the use of IFRS by U.S. issuers (public companies) only. The AICPA believes that a separate, dedicated effort would be required to consider the appropriateness of the IFRS option for U.S. private companies and not-for-profit organizations, which also currently apply U.S. GAAP as promulgated by the FASB.

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The AICPA appreciates the opportunity to submit its comments and would be pleased to discuss them with you at your convenience.

Sincerely,

AICPA

A handwritten signature in black ink that reads "Randy G. Fletchall". The signature is written in a cursive style with a large, sweeping initial "R".

Randy G. Fletchall, CPA  
Chairman of the Board

A handwritten signature in black ink that reads "Barry C. Melancon". The signature is written in a cursive style with a large, sweeping initial "B".

Barry C. Melancon, CPA  
President and CEO