

November 13, 2007

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

RE: File Number S7-20-07 Concept Release on Allowing U.S. Issuers to Prepare Financial Statements in Accordance with International Financial Reporting Standards

Dear Ms. Morris:

The Financial Reporting Committee ("the FRC") of the Institute of Management Accountants ("IMA") appreciates the opportunity to provide its views on the *Concept Release on Allowing U.S. Issuers to Prepare Financial Statements in Accordance with International Financial Reporting Standards* (the Concept Release). FRC is the financial reporting technical committee of the Institute of Management Accountants. The FRC is comprised of representatives from preparers of financial statements from some of the largest companies in the world, the largest accounting firms in the world, valuation experts, accounting consultants as well as academics. The FRC reviews and responds to research studies, statements, pronouncements, pending legislation, proposals and other documents issued by domestic and international agencies and organizations.

As a starting point we commend the Securities and Exchange Commission ("SEC") for undertaking this important initiative. The FRC shares the SEC's goal of having companies around the world prepare financial statements using a common set of high quality accounting standards. We believe the Concept Release is an important step on the path to that goal.

In our letter dated September 21, 2007, the FRC supported the SEC's proposal to allow foreign private issuers to file financial statements in accordance with International Financial Reporting Standards (IFRS) without reconciliation to US GAAP. The FRC now urges the SEC to move as quickly as possible to issue a rule permitting US registrants to voluntarily prepare financial statements in accordance with IFRS. We support giving US registrants this option for the following reasons, which are elaborated in the remainder of this letter:

- IFRS represents a comprehensive, high quality set of accounting standards.
- If the financial statements of foreign private issuers prepared in accordance with IFRS are acceptable for SEC filings, fairness requires that financial statements prepared on the same basis should be acceptable for US registrants.
- Giving US registrants the option to prepare financial statements in accordance with IFRS will allow them to choose the reporting basis that minimizes their cost of capital, which will be beneficial to the registrants and to their investors.
- A voluntary program will mobilize the energies of the free market to raise the IFRS knowledge and expertise of all members of the US financial reporting community.
- A voluntary program will accelerate achievement of the goal of having companies around the world prepare financial statements using a common set of high quality accounting standards.

IFRS Are High Quality Standards

IFRS are developed through a robust process that includes substantive due process and share with US GAAP a focus on providing decision-useful information to investors. Since the widespread adoption of IFRS in Europe, European financial markets have performed well, indicating that investors have confidence in financial statements prepared in accordance with IFRS.

Fairness and Equity

IFRS has developed into a comprehensive and robust set of accounting standards. The SEC has recognized this development in its proposal to allow foreign private issuers to file financial statements in accordance with IFRS without reconciliation to US GAAP. Once the SEC makes that decision, the FRC believes that there is no logical reason to prohibit US registrants from filing financial statements in accordance with IFRS. The FRC believes that it would be unfair and inequitable to US registrants to prohibit them from using the same accounting standards available to foreign private issuers.

Minimize Cost of Capital

For some US registrants, preparing financial statements in accordance with IFRS will reduce the cost of capital as compared to continued use of US GAAP. That lower cost is beneficial to those registrants, and to their investors.

In some cases, IFRS may result in lower costs to prepare financial statements. In other cases, IFRS may result in higher preparation costs, but lower cost of capital because of market (investor) reaction. The FRC believes that each US registrant is in the best position to decide which set of accounting standards minimizes its cost of capital.

The Concept Release notes that many foreign subsidiaries of US registrants are required to file statutory financial statements in accordance with IFRS. Today, those subsidiaries are required to prepare US GAAP financial statements for purposes of the parent company's worldwide consolidated financial statements, incurring the cost of complying with both IFRS and US GAAP. For some US registrants with extensive international operations, preparing the worldwide consolidated financial statements in accordance with IFRS would reduce cost by allowing all entities to follow just one set of accounting standards—IFRS. Assuming that investors were receptive to IFRS financial statements, both the registrants and their investors would benefit from the cost savings.

The Concept Release also notes that the primary competitors for some US registrants are non-US enterprises that prepare financial statements in accordance with IFRS. It would be easier for investors to evaluate the financial performance

of those US registrants relative to their competitors if the US registrants were permitted to prepare financial statements in accordance with IFRS. Investors might reward those companies with a lower cost of capital because of the greater ease and reduced uncertainty in evaluating their performance.

The FRC believes that each registrant is in the best position to balance the internal costs or savings of preparing financial statements in accordance with IFRS with investors' reactions to IFRS financial statements and to make an informed decision about whether IFRS will reduce its cost of capital. That is why the FRC favors a voluntary program that allows each registrant to decide, allowing market forces to determine how rapidly US registrants move to IFRS.

Raise IFRS Knowledge and Expertise

The Concept Release raises questions about the readiness of the US financial community to adopt IFRS. Adoption of IFRS will require enhanced knowledge about IFRS among registrants, their independent public accountants, and investors. This will require changes to college curricula and significant investments in continuing professional education. The challenge of educating accountants and investors about IFRS is one that is ideally suited to market forces. The FRC believes that a voluntary program permitting US registrants to file financial statements in accordance with IFRS will mobilize market forces to deliver the needed education. A demand by employers for graduates with knowledge about IFRS is the strongest motivation for colleges and universities to expand courses about IFRS. A demand by registrants and auditors for continuing professional education courses about IFRS is the strongest motivation for firms specializing in that market to expand and upgrade their IFRS course offerings. Increasing use of IFRS by US registrants and foreign private issuers is the strongest motivation for investors to become more knowledgeable about IFRS. Market forces will be stronger motivation than any number of blueprints, plans, or well-meaning exhortations. The beauty of a voluntary program is that US registrants will adopt IFRS at different times, allowing time for corporate accountants, auditors, and investors to become more knowledgeable about IFRS as those skills are needed.

Some have observed that the US is not ready for thousands of US registrants to adopt IFRS immediately. The FRC agrees. A voluntary program will not result in thousands of registrants adopting IFRS immediately. Initially, those US registrants described in the preceding section (extensive international operations or

