

Leon J. Level
Vice President and Chief Financial Officer

Letter of Comment No: 25
File Reference: 1300-001
Date Received: 6-27-05

June 27, 2005

Ms. Suzanne Bielstein
Director of Major Projects and Technical Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116



RE: File Reference No. 1300-001, Exposure Draft of Proposed Statement of Financial Accounting Standards, "The Hierarchy of Generally Accepted Accounting Principles"

**FILED ELECTRONICALLY (director@fasb.org) AND
SENT VIA U.S. Mail**

Dear Ms. Bielstein:

We appreciate the opportunity to comment on the Financial Accounting Standards Board's ("FASB" or "the Board") Exposure Draft of a Proposed Statement of Financial Accounting Standards, "The Hierarchy of Generally Accepted Accounting Principles" (the "Proposed Standard"). This letter summarizes our views and concerns regarding this Proposed Standard.

We commend the Board on its efforts to improve the quality of standards and the standard-setting process and wholeheartedly support the Board's initiatives to improve the conceptual framework, codify existing accounting literature, transition to a single standard-setter regime and pursue convergence with standards promulgated by the International Accounting Standards Board. We also support the Board's movement toward a principles-based approach to standard-setting and firmly believe further development and improvement of the conceptual framework will provide the necessary foundation for a principles-based approach (refer to our previous comment letter dated January 3, 2003 enclosed for your convenience).

We likewise agree with the Board's conclusion to address the complexity of the GAAP hierarchy in its codification and retrieval project, since this project will integrate the GAAP literature into a single authoritative codification. We also agree the role of the Board's Statements of Financial Accounting Concepts will be best addressed in conjunction with the Board's conceptual framework project.

We fully agree with the proposal to codify the GAAP hierarchy within financial accounting and reporting standards. This seems the most appropriate authoritative source (rather than inclusion as a component of generally accepted auditing standards), since the Board has been

designated as the standard-setting body for financial accounting and reporting standards by the SEC and the AICPA. We, however, would like to underscore a point which is fundamentally important. We think the Board's long standing practice of exposure, public comment and due process is critical to both the effectiveness and legitimacy of the standard-setting process. Conversely, the growing tendency of the SEC staff to engage in informal standard-setting practices, including dissemination of guidance through public speaking engagements (frequently referred to as "standard-setting by speech making") risks undermining the integrity of the standard-setting process and the effectiveness of the overall financial reporting framework. This would also seem contrary to the movement toward a principles-based approach to standard-setting which has been undertaken by the Board and supported by the Commission. We recommend the Board continue to work closely with the SEC staff to improve alignment with the Commission and incorporate SEC financial accounting and reporting concerns on a sufficiently timely basis to preclude the need for such SEC guidance.

We have several other comments and suggestions regarding the definitional elements and transition provisions under the Proposed Standard which are summarized in the following paragraphs.

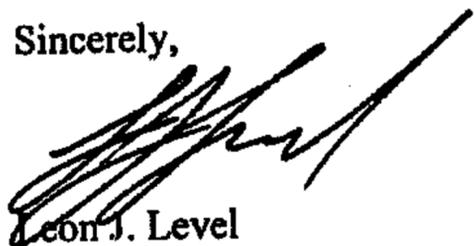
- The Proposed Standard indicates where category (a)-(d) guidance is not available for a given transaction or event, an enterprise should consider accounting principles for similar transactions or events which may be applied by analogy (paragraph 5). We think use of such analogies is appropriate provided they are carefully applied and tempered by reference to broader principles and common sense. We recommend the Proposed Standard specifically recognize that analogous application of higher level guidance should take precedence over principles set forth in other accounting literature in the hierarchy.
- The Board has indicated issuance of the Proposed Standard is not expected to result in a change in current practice. However, the Proposed Standard would elevate FASB Staff Positions (FSP's) which had previously been classified as category (d) guidance to category (a) within the GAAP hierarchy (commensurate with FASB Statements of Financial Accounting Standards and Interpretations, among others). Accordingly, we suggest the Board consider whether transition guidance may be necessary to accommodate the implementation of this change.
- Under the Proposed Standard an enterprise would be precluded from representing that financial statements are presented in accordance with GAAP if the accounting principles of the enterprise depart from the GAAP hierarchy. Although Rule 203 of the AICPA Code of Professional Conduct allows for departures from the GAAP hierarchy where financial statements would otherwise have been misleading, this exception has not been used in practice. Accordingly, we agree with the elimination of this provision, however, we suggest the Board coordinate with the AICPA to amend Rule 203 to align generally accepted auditing standards with this provision.

June 27, 2005

Page 3

I would like to thank you for the opportunity to express our views in this letter. If you have any questions regarding our comments, please feel free to contact me at (310) 615-1728.

Sincerely,

A handwritten signature in black ink, appearing to read "Leon J. Level". The signature is stylized with a large, sweeping initial "L" and a long, horizontal stroke extending to the right.

Leon J. Level

2100 East Grand Avenue
El Segundo, California 90245
Phone: 310.615.1728 Fax: 310.322.9767

January 3, 2003

Ms. Suzanne Bielstein
Director of Major Projects and Technical Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. 1125-001

FILED ELECTRONICALLY (director @fasb.com)

Dear Ms. Bielstein,

We appreciate the opportunity to comment on the Financial Accounting Standard Board's ("the Board") proposal, Principles-Based Approach to U.S. Standard Setting ("the Proposal"). This letter summarizes our views and concerns on this proposed project.

We agree a high-quality financial reporting system is critical to effective operation of our capital markets and efficient functioning of the economy. The events of the past year, particularly some of the more egregious abuses, have shaken public confidence in the U.S. financial reporting system and in our capital markets. We do not believe any system can eliminate noncompliant and misleading reporting of companies led by irresponsible executives. However, we think a principles-based approach, more focused on the economic substance of the of the underlying business activity and transactions, rather than a rules-based approach could, if properly implemented, improve our financial reporting system.

We have provided a summary of our more significant comments, concerns and suggestions in the following paragraphs. The attached Exhibit includes our detailed response to each request for comment in the Proposal.

The current rule-based standards in the United States have become increasingly detailed and complex in an attempt to contemplate virtually every application of any given standard. With the ever-expanding set of rules it is difficult for accounting professionals to stay abreast of financial reporting developments and equally difficult for financial statement users to digest and understand. Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133") is certainly the best example of the complexity of the rule-based approach. This approach includes numerous exceptions and requires a large amount of detailed interpretive and implementation guidance. This guidance, in turn, further increases the level of detail and complexity, as well as the opportunity for financial engineering and gamesmanship.

We think a principles-based approach could, if properly implemented, enhance the quality and transparency of U.S. financial reporting primarily by returning the focus of

attention to the economic substance of the underlying business activity and transactions, rather than their form. This approach would have the additional benefits of reducing the complexity of the standards and mitigating standards and disclosure overload. Because this approach would require greater exercise of professional judgment by preparers and auditors it could also enhance professionalism in both the corporate reporting and auditing professions. Furthermore, we think this approach would reduce the opportunity for financial engineering of business transactions and increase the likelihood that transactions will be accounted for according to their economic substance rather than their form.

Additionally, a principles-based approach could yield benefits for the standard setting process. Standards based on broad principles would be more flexible and would more readily accommodate future developments in the marketplace. Such standards would also require less time to develop and, thus, could be more responsive to emerging issues. Furthermore, a principles-based approach could facilitate convergence between U.S. reporting standards and international standards promulgated by the International Accounting Standards Board (“IASB”). Convergence of international standards could streamline reporting requirements for global companies and, as a result, would improve effective operation of global capital markets.

We agree with the Board and views expressed by Mr. Herz that a principles-based approach would require changes in the attitudes and behavior of all of the participants in the U.S. reporting process. This would not only include the standard setting bodies, but also the SEC, registrants, auditors, analyst community, stock exchanges and other regulatory authorities, as well as many others. We think the success of a principles-based approach would be dependent on the support and commitment of all these constituencies and would be critically dependent on the agreement and active support of the SEC.

We also believe a number of issues need to be addressed to successfully implement a principles-based approach to standard setting. We have summarized these issues in the following paragraphs.

U.S. Standard Setting Bodies and Processes

We agree implementation of a principles-based approach to standard setting will require changes to the roles and composition of U.S. standard-setting bodies and related processes to control proliferation of standards and ensure alignment. We think the Board’s decision to consolidate the activities of AcSEC and to take a more direct role in establishing the agenda of the Emerging Issues Task Force (“EITF”), as well as in its deliberations and ultimate pronouncements, will ensure alignment of these activities with both the standard setting process and resulting standards. We also agree with the Board’s aggressive pursuit of convergence in international accounting and reporting standards and believe commitment to this objective is of great importance in today’s global marketplace. Moreover, it is particularly important that the U.S. take a very prominent and active role in the creation of international standards in view of its position as the largest global capital market.

Development of an Overall Reporting Framework

We support the development of an overall reporting framework similar to the framework adopted by the IASB in International Accounting Standards No. 1, "Presentation of Financial Statements" ("IAS No. 1"). We think such a framework could facilitate consistency in financial statement presentation and resolve existing reporting issues. We also think a "true and fair view override" is critical to a principle-based approach to standard setting. This would fundamentally require that the accounting treatment, in any given situation, reflect the economic substance of the underlying business activity and transactions.

Diversity in Practice

We are also concerned that broad-based principles could result in significant diversity in practice. For example, the major public accounting firms could recommend significantly different accounting treatment for transactions that are substantially identical based on differing interpretations of the same broad principles. As a result, comparability could suffer. Consequently, we think some degree of continued interpretive and implementation guidance (as discussed more fully in the following paragraph) will be necessary to avoid divergence in practice and minimize the opportunity for "opinion shopping." We also think that a "true and fair view override" is essential to the implementation of a principles-based approach requiring accounting treatment to reflect the economic substance of the underlying business activity and transactions (as noted in the preceding paragraph).

Circumstances Requiring Interpretive and Implementation Guidance

We think interpretive and implementation guidance will continue to be necessary to facilitate comparability. Circumstances requiring such guidance could be limited to situations where issues are likely to result in divergence in practice or unacceptable application of principles. For example, the International Financial Reporting Interpretations Committee of the IASB provides such guidance "on issues that are likely to receive divergent or unacceptable treatment in the absence of such guidance."

Lack of Due Process

A principles-based approach to standard setting will, without question, require the agreement and active support of the SEC. It is important for the SEC to accept the likelihood that a principles-based framework will result in somewhat increased diversity in the application of standards in practice. We are concerned that a principles-based framework not lead to an increase in standards setting by the SEC. In our view, it is absolutely imperative that the transition to a principles-based approach does not effectively transfer some, or all, of the standard setting responsibility to the regulatory arena where such deliberations would not be subject to due process and involvement of all the relevant constituencies.

Cost

We believe that the long-term benefit of this approach for preparers should outweigh the transition cost for the adjustment to the process. We think the overriding cost-benefit

consideration is the overall effect of a principle-based approach on the efficacy of our capital markets.

Furthermore, the more complicated the current standards become, the more resources are consumed interpreting, applying, or even circumventing the rules, all of which increase the cost of doing business without any additional economic value. In addition, the increasing complexity of our accounting standards combined with our litigious business environment could discourage foreign companies from raising capital and issuing securities in the U.S. capital markets.

Safe Harbor

In our increasingly litigious environment, increased diversity in accounting treatment resulting from differences in professional judgment (where broad-based accounting standards do not provide definitive and explicit guidance) could lead to an increase in litigation "after the fact." We believe the Board, together with the SEC and other appropriate regulatory agencies, should establish "safe harbor" provisions that protect companies, particularly SEC registrants, and management where a "good faith effort" has been made to apply the principles and available authoritative guidance has been followed.

In summary, we believe the transformation to a principles-based approach to standard setting cannot be made without the absolute commitment of all affected constituencies. The agreement and active support of the SEC will be particularly important. The transformation will require time and fundamental change in the attitudes and behavior of all participants in the financial reporting process. It will require preparers, auditors, audit committees, and boards to be willing to exercise professional judgment despite the risk this may present. This may require some form of "safe harbor" provisions for preparers. More importantly, it will require the SEC to moderate demands for bright line rules to facilitate their review and enforcement activities. If all constituents are fully committed to these changes, we think a principles-based approach to standard setting could improve the quality and transparency, and reduce the complexity, of U.S. financial reporting. Furthermore, this approach could improve the standard setting process by accelerating responsiveness to emerging issues, improving overall timeliness and developing standards which are more flexible and more readily adaptable to evolving market conditions.

We thank you for the opportunity to express our views in this letter. If you have any questions regarding our comments, please feel free to contact me at (310) 615-1686.

Sincerely,

Donald G. DeBuck
Vice President and Controller
Computer Sciences Corporation