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June 23, 2005

Ms. Suzanne Q. 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, *The Hierarchy of Generally Accepted Accounting Principles*

Dear Ms. Bielstein:

We appreciate the opportunity to provide comments on the Proposed Statement of Financial Accounting Standards, *The Hierarchy of Generally Accepted Accounting Principles.* We agree that the GAAP hierarchy should reside in the accounting literature established by the FASB. We do, however, have the following comments regarding the proposed statement as currently drafted:

The Board expects that the issuance of this proposed statement would not result in a change in current practice. While PricewaterhouseCoopers has always believed that FASB Staff Positions (FSPs) and FASB Statement 133 Implementation Issues (DIG Issues) are category *(a)* accounting principles, it is possible that some enterprises may have previously interpreted those pronouncements to be category *(c)* or *(d)* principles due to their interpretive, Q&A nature. The addition of FSPs and DIG Issues to category *(a)* could result in a change for certain enterprises. Accordingly, the Board should consider whether some form of transition guidance needs to be provided for those cases.

As footnote 1 to paragraph 3.a. is currently drafted, it is unclear whether Staff Accounting Bulletins (SABs) are considered category *(a)* principles for SEC registrants. SABs are mentioned in a separate sentence following the statement on rules and interpretive releases of the SEC. We believe that sentence should explicitly state that SABs are also considered sources of category *(a)* principles.

We believe the use of the word *cleared* in paragraphs 3.b. and c. will prove difficult to apply prospectively. Footnote 2 states that *cleared* means the FASB does not object to the pronouncement's issuance. The Board has stated it will no longer *clear* or formally comment on pronouncements issued by the American Institute of Certified Public Accountants (AICPA) or the AICPA Accounting Standards Executive Committee (AcSEC). However, the AICPA and AcSEC will continue to publish new and update existing Audit and Accounting Guides and Practice Bulletins. If the Board no longer comments on or otherwise recognizes AICPA pronouncements, an enterprise cannot determine whether the FASB objects or does not object to their issuance. Accordingly, enterprises may interpret the FASB's silence as "not objecting" and therefore believe the AICPA pronouncements are category *(b)* or *(c)* principles. We believe the Board's intent is that new AICPA pronouncements will be category *(d)*. We recommend that this point be clarified in the background information or basis for conclusion

We believe the statements made within paragraphs [illegible] and A10 regarding departures from the GAAP hierarchy are obvious and not particularly useful to enterprises. The Board should reconsider whether the discussion of AICPA Rule 203 and GAAP departures is a necessary part of the proposed statement.

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Please contact Kenneth Dakdduk (973-236-7239) or Marvin (Bud) Thomas (973-236-4989) if you have any questions.

Sincerely,

PricewaterhouseCoopers LLP