1200 North Veitch Street, # 1334, Arlington, VA USA 22201 Letter of Comment No: /OD File Reference: 1125-001 Date Received: 1/3/08

December 23, 2002

Financial Accounting Standards Board 401 Merritt 7, P.O.Box 5116 Norwalk, CT 06856-5116

Dear Sirs or Madams:

#### Proposal for a principles-based approach to U.S. standard setting

My name is Hong Van Le. I am writing in response to the invitation to comment on the above proposal. These are my personal comments and should not be construed to represent the views of organizations with which I am associated.

1. Do you support the Board's proposal for a principles-based approach to U.S. standard setting? Will that approach improve the quality and transparency of U.S. financial accounting and reporting?

I strongly support the Board's proposal for a principles-based approach to U.S. standard setting. I believe the principles-based approach, if implemented properly, will improve the quality and transparency of U.S financial accounting and reporting. Even though I am a certified public accountant, I have found myself becoming more and more frustrated by the volume and complexity of the U.S. GAAP. The proposal for a principles-based approach as elaborated by the Board is an important step in the right direction to make U.S. GAAP more understandable and retrievable.

#### 2. Should the Board develop an overall reporting framework as in IAS 1 and, if so, should that framework include a true and fair view override?

I agree that the Board should develop an overall reporting framework as in IAS 1. The framework would assist preparers of financial reports by consolidating all guidance related to the presentation of financial statements into one standard. Also, since one cannot anticipate all the conceivable scenarios in the application of the standards, I grudgingly support the inclusion of a true and fair view override in the overall reporting framework. However, to prevent abuse of this override clause, I believe that the Board needs to give clear guidance to emphasize the extremely rare application of this clause.

# 3. Under what circumstances should interpretive and implementation guidance be provided under a principles-based approach to U.S. standard setting? Should the Board be the primary standard setter responsible for providing that guidance?

The standards under the principles-based approach need to be thorough without being overly complex. The elimination of application exceptions and the minimization of scope and transitional exceptions would assist the Board in its effort to achieve this goal. If the standards are clear and thorough enough, the need for interpretive and implementation guidance would be reduced. When interpretive and implementation guidance are truly needed, they should be issued by the Board or its "interpretation committee" with the Board's consent to clarify the significant issues in the application of the standards.

## 4. Will preparers, auditors, the SEC, investors, creditors and other users of financial information be able to adjust to a principles-based approach to U.S. standard setting? If not, what needs to be done and by whom?

As a preparer of financial reports, I am willing to adjust to a principles-based approach to U.S. standard setting. It would be easier for me to understand and keep up-to-date on latest developments in the accounting pronouncements under the principles-based approach to standard setting. The difficult question for me would be to convince the auditors that the different results in the financial statements are created by my interpretation of the standards where professional judgements are required. As articulated by the Board, all players under the principles-based approach to standard setting need to "be equally committed to making those changes".

### 5. What are the benefits and costs (including transition costs) of adopting a principles-based approach to U.S. standard setting? How might those benefits and costs be quantified?

Benefits derived from adopting a principles-based approach to U.S. standard setting would be the increase in transparency and retrievability of the standards. These improvements would make it easier to attract individuals into the accounting profession. Finally, the users of financial reports would have less difficulty understanding the financial reports produced by the entities.

The most significant cost of adopting a principles-based approach would be the initial costs generated from the uncertainty and confusion in the application of the principles-based standards. The old attitude under the rule-based approach will take some time to change while all the players working together to ensure consistent and comparable application of the principles-based standards. Also there would be costs for the standard setters to revise and consolidate the old accounting pronouncements and for entities to modify their accounting systems and policies.

Except for the cost of revising accounting standards and modifying accounting systems and policies, which can be tracked by standard setters and entities, respectively, most the benefits and costs mentioned above will be long-term and hard to quantify.

#### 6. What other factors should the Board consider in assessing the extent to which it should adopt a principles-based approach to U.S. standard setting?

Standards developed under the principles-based approach by the FASB need to be formulated to facilitate the convergence with the standards issued by the IASB. This would bring the world closer to achieve the much-desired internationally accepted accounting standards.

From: Hong Le [mailto:hongle@erolang.com]

Sent: Tuesday, December 31, 2002 7:54 AM

To: <u>director@fasb.org</u>

Subject: Comments on Proposal (File reference 1125-001)