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Letter of Comment No: 3 File Reference: 1125-001 Date Received: 10/25/02

From: Baron Thames [mailto:bwthames@netdoor.com]

Sent: Friday, October 25, 2002 8:55 AM

To: director@fasb.org

Subject: File 1125-001 Comments Principles-Based Approach to U. S. Standard Setting

Gentlemen:

Thank you for the chance to respond. I have a myriad of thought, but I am keeping my answers short

<u>Your question.</u> Do you support the Board's proposal for a principles-based approach to U. S. standard setting?

My response: No, not at this time. Right idea, wrong time. I fear it would be viewed as "change for change sake," the profession would, in trying to do the right thing, actually take one step forward, quickly followed by two steps back.

<u>Your question:</u> Will that approach improve the quality and transparency of U. S. financial accounting and reporting?

My response: No. Not given the current environment.

Your question: 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?

My response: No. Not at this time.

Your questions. Under what circumstances should interpretive and implementation guidance be provided under a principle-based approach to U. S. standard setting?

<u>My response:</u> If the Board is going to do this anyway, then the exceptions should be focused so standards fit either (1) publicly traded, (3) non-publicly traded, or (2) all companies.

Your question. Should the Board be the primary standard setter responsible for providing that guidance?

My response. Yes it should. But in reality it is not...unfortunately, that role has been lost the government regulation and the SEC.

Your question. 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?

My response: Not in the foreseeable future.

<u>Your question.</u> What are the benefits and costs (including transition costs) of adopting a principles-based approach to U. S. Standard setting?

My response. Benefits: not sure given current environment there are any. Costs, to name a few: (1) damage to profession in eyes of public (most will not understand the difference, only that rules keep changing), (2) litigation/professional liability insurance costs...the trial lawyers will have a field day, (3) cost of re-educating a generation of CPAs, shareholders, financial analysts, bankers, third parties, government regulators, (4) increase in audit costs.

Your question. How might those benefits and costs be quantified? My response. Uncertain.

Your question. 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?

My response. Factors to consider: (1) the difference in publicly traded and non-publicly traded companies, (2) the litigious environment, (3) how to deal with the volumes of material in the professional literature regarding "GAAP" under the present system, (4) how to deal with disclosures in notes to financial statements

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