## Daniel F. Case 6716 Tildenwood Lane Rockville, MD 20852 (301)881-1832

Dec. 27, 2002

Director
Financial Accounting Standards Board
P.O. Box 5116
Norwalk, CT 06856-5116

Letter of Comment No: 95 File Reference: 1125-001 Date Received: |2 |30/02

Re: File Reference 1125-001

Dear Director:

These are my comments on the Board's "Proposal for a Principles-based Approach to U.S. Standard Setting."

On page 6 of the "Proposal" document is stated: "Accounting standards with principles that apply more broadly than under existing accounting standards would require a conceptual framework that is complete, internally consistent, and clear." The same could be said of the principles themselves--that is, the principles would have to be complete, internally consistent, and clear.

If the Board wishes to consider a principles-based approach, why not cut to the chase and consider the principles themselves, rather than first devoting resources to the conceptual framework? It seems to me that the proof of the concepts is in the principles.

I know of two sets of financial reporting principles that exhibit degrees of internal consistency much higher than that of present-day U.S. GAAP:

- current-value reporting, of a form that assigns current values not only to individual assets and liabilities, but also to whole operations, such as manufacturing operations; and
- (2) the accounting model described in my 2002 study, *Life-cycle Accounting Principles*, of which I sent a copy to Chairman Jenkins last March.

There may be additional sets of principles that exhibit high degrees of internal consistency; I have not searched the literature for them.

The internal consistency of #1 above is apparent from the fact that current values are used throughout. The internal consistency of #2 is best understood and evaluated after a reading of my study.

I believe that even if the Board decides not to consider a principles-based approach to standard setting, it would be worthwhile to consider and evaluate one or more internally consistent sets of principles such as the two sets mentioned above. If the Board were to adopt such a set of principles, the volume and complexity of the accompanying rules could be significantly decreased, whether or not the roles and responsibilities of any other participants in the U.S. accounting and reporting process were changed. More importantly, in my view, raising the level of internal consistency could make financial statements more meaningful.

I have opinions on only three of the six questions appearing at the end of the "Proposal" document:

- I support moving to a principles-based approach. Since it would involve raising
  the level of internal consistency, I believe it could improve at least the quality of
  financial statements. As suggested above, however, I favor raising the level of
  internal consistency whether or not the Board moves to a principles-based
  approach.
- 4. The participants' ability to adjust depends in part on the nature of the principles. For example, the adoption of current-value reporting or life-cycle accounting principles would require fundamental adjustments to the way financial statements are interpreted.
- 5. The chief benefits I find are those arising from the improvement in internal consistency. The improved consistency could make the resulting financial statements more meaningful. I do not know how to quantify an increase in meaningfulness, but an evaluation of a new set of principles could properly include some kind of test of its potential usefulness.

Thank you for this opportunity to comment.

Sincerely.

Daniel F. Case

Daniel F. Case