

To: The Director of the FASB
From: Alex Casajuana, Providence College '05
Subject: Change to principle-based accounting
Date: 12/11/02
CC: Peg Ruggieri, Professor at Providence College

Letter of Comment No: 62
File Reference: 1125-001
Date Received: 12/11/02

I am a student at Providence College and I am majoring in Accounting. I am writing to you in response to the latest proposal of the FASB to change from rule-based to principle-based accounting standards. I believe that the standards should indeed switch to broader principle-based standards in order to minimize the amount of complexity and ambiguity in some of the standards and pronouncements. However, I feel that with the new approach that preparers, auditors and companies should be held responsible for any malpractices, and the punishments should be rather stiff in order to get the message out that, "We will no longer accept actions that will mar this profession."

I feel that the principle-based approach offers a more clear and concise guidance for the application of accounting standards. It achieves this by having little to no exceptions for the principles. This new approach will allow preparers and auditors to spend less time on trying to find "loop holes" in the mass of detailed standards and more time in actually using the standards as they were intended. The principle-based approach also emphasizes the greater importance of accounting integrity and ethics, and it is these two qualities that the accounting industry has been lacking in recent years due to the amount of accounting scandals and malpractices. The downside to the new approach is that it will emphasize the greater importance of the integrity and ethics of prepares and auditors because that is what they currently lack, so it is a double-edged sword so to speak. In my opinion, the only way to keep these people from not adhering to the spirit of the new approach is to impose steep fines and punishments on anyone involved in the preparation, auditing, and on the companies themselves if the new standards are not adhered to. This is because we

cannot allow our profession to continually be mocked at by the American public and the world. We claim to be the best; now we have to show it.

In my opinion, principle based accounting is the way to go for the future of American Accounting and the world. A decrease in the amount of abuses and an increase in integrity and ethics are needed in order for the new approach to work. And if the principles are not followed according to the spirit of the rule, then all those involved should be held accountable for their malfeasance. Thank you for your time and I hope that the FASB does indeed approve the new approach and allow U.S. GAAP to unite with the International standards in order to provide one set of standards for companies worldwide, because that is the future of the business world, which can be seen today with international companies.