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To: The Federal Accounting Standards Board (FASB)  
From: Christina Van Den Beldt  
Subject: Principles-Based Approach to US Accounting Standard Setting  
Date: December 11, 2002

I am an intermediate accounting student at Providence College and will soon be joining the accounting profession. I would like to comment on the proposal to adopt a principles-based approach to U.S. accounting standard setting.

After the recent string of accounting scandals, it is apparent that some kind of reform must be made to insure that financial statements are not misleading to investors, creditors, and the public at large. Under the current rules-based approach there are always exceptions to the rules that can be manipulated, resulting in non-transparent, deceptive financial statements. The adoption of a principles-based approach will theoretically have fewer exceptions and will be less likely twisted to benefit a specific user group. The success of this approach depends on the companies and auditors using their professional judgment and behaving ethically.

If a principles-based approach is approved, the FASB or another independent organization should be responsible for be the primary standard setter, with the new accounting oversight board or the Securities and Exchange Commission (SEC) enforcing the new standards. As the principles would not completely rewrite the basic concepts of accounting the users of the financial statements should not have too much trouble adjusting to the new standards. Accountants will have to use their better judgment, as they will no longer be allowed to hide behind the rules and claim that they followed them.

The principles-based approach will improve the quality and the transparency of financial reporting only if auditors do their best to ethically enforce them. Although the management hires auditors, they ultimately work for the shareholders. Auditors have a responsibility to remain neutral and have the financial statements reflect the true state of the company. Financial statements are worthless unless they clearly reflect the true financial state of the company. It is not the approach that should be altered in seeking this clarity, but rather a renewal of professional judgment and ethics needed to determine how standards are followed. The public, through their government, is ready to support greater oversight of the accounting profession. It is up to the profession to match legal reforms and oversight with their own to insure that the relationship between auditors and their clients is never again questioned.