Exposure Draft of Accounting changes and Error Corrections

To whom it may concern:

I am a student in Cal State Hayward and having the accounting theory class this quarter. My understanding from the summary of the Exposure Draft of Accounting changers and Error Correction is that this ED is nothing new but the replacement of APB Opinion No.20 and FASB Statement No.3. The main difference is that under Opinion No.20, it requires that most changes in accounting principle be recognized by including in net income of the period of the change the cumulative effect of changing to a new accounting principle and the proposed Statement would require "retrospective application" for changes in accounting principle, unless it is impracticable to determine either the cumulative effect or the period specific effects of the change. Besides, the proposed statement would require that a change in depreciation method be accounted for as a change in accounting estimate and not as a change in accounting principle. I think this proposed statement would make accounting better because it makes accounting standard more consistent and makes accounting information could be more comparable even under different accounting systems. It also has been explained that the main reason for issuing this draft is because the FASB and the International Accounting Standards Board undertook a joint project to achieve more comparability in cross-border financial reporting through convergence to a single set of high-quality accounting standards. Moreover, the consistent of accounting standards is getting more and more crucial due to the increased globalization and integration of economic activity that has taken place in recent years. The term "globalization" includes not only stock markets but also many other multinational trade businesses. Because of this trend, prepares of annual

reports of large, international corporations are finding it necessary to prepare these reports to satisfy the securities legislation more than one jurisdiction. Therefore, this proposed statement would benefit different financial report users, including investors, accountants, and business entities since it would lower the cost of preparing financial reports for multinational business if each accounting standard boards can stand in the same line.

Sincerely,

Wan Yin Chou