

Letter of Comment No: 91
File Reference: 1125-001
Date Received: 12/20/02

December 20, 2002

Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

RE: File Reference 1125-001

The Maryland Association of Certified Public Accountants appreciates the opportunity to comment on the Exposure Draft, "Principles-Based Approach to U.S. Standard Setting".

Question 1

The proposed standards seem to be reactionary to the current environment. The assumption is that something is wrong with the quality of U.S. accounting standards. Some members of the committee feel the U.S. accounting standards are the best in the world. The complexities of the standards are reflective of the complexity of business today. One of the best aspects of U.S. GAAP is comparability. Some members felt that going to principles-based standards would allow more variation from standards and promote a lack of comparability. Not all members agreed.

We should focus on the underlying principles but not limit the guidance provided. Members of the committee do not think the quality of standards is the issue, but the adherence to the standards. The committee agreed there should be fewer exceptions to the rules under the current system.

One member of the committee did not feel having specific rules makes financial statements more relevant to the user of the financial statements. We do have a strong set of principles and the rules approach is doomed to failure. We do have a core of principles that we should maintain. The profession has a great opportunity to redeem itself.

The committee felt we do have principles-based standards and should continue to have principles-based standards along with sufficient guidance, but fewer exceptions to the underlying principles.

Question 2

The committee feels that the current standards provide for a true and fair override and it should be continued.

Question 3

Yes, there should be guidance and sufficient examples for application of the principle. But the committee strongly feels exceptions should be avoided. Yes, the Board should be the primary standard setter. Other appropriate bodies can provide the application guidance.

The committee feels that interpretive guidance is needed. There are times when specific guidance will be necessary to ensure proper measurement and comparability. In the example for Statement 34, the committee felt the consolidation guidance that was removed from Statement 34 is needed. The concern is that compromises should be avoided.

Question 4

The committee did not feel this would be a hard sell to users. We already have underlying principles-based standards. There should be no adjustment. There will be professional judgement involved and that should be understood.

Question 5

The committee feels that circumstances requiring changes in application of standards should be accounted for prospectively. The committee felt that significant restatement of financial statements would not be beneficial and should not be required. In any case, the committee felt that changes should be consistently applied without exception.

Question 6

See above comments.

In general, the committee felt investor confidence would be enhanced and the profession will be enhanced. The financial statements may be enhanced with the use of auditor judgement. At the end of the day, the auditor is responsible for "fair presentation".

Other members of the committee expressed concern that clients would "shop the auditor" to find one that would justify the treatment they prefer. The concern was also that clients would be able to push back more on judgement situations.

Sincerely yours,
David Schriver, CPA
Chairman, Accounting and Auditing Standards Committee