

Joseph L. Sclafani
Executive Vice President and Controller

April 13, 2004

Director of Major Projects and Technical Activities
Financial Accounting Standards Board
File Reference No. 1200-400
401 Meritt 7
P.O. Box 5116
Norwalk, CT 06856-5116
Let

Letter of Comment No: 38 File Reference: 1200,400 Date Received: 4//7/04

Re: Proposed Statement of Financial Accounting Standards, "Accounting Changes and Error Corrections – a replacement of APB Opinion No. 20 and FASB Statement No. 3"

Dear Sir:

J.P. Morgan Chase & Co. appreciates the opportunity to comment on the Financial Accounting Standards Board's Proposed Statement of Financial Accounting Standards, "Accounting Changes and Error Corrections – a replacement of APB Opinion No. 20 and FASB Statement No. 3."

We commend the joint project of the FASB and the IASB to achieve more comparability in cross-border financial reporting through convergence to a single set of high-quality accounting standards and support the short-term project to eliminate certain differences between IASB and United States accounting pronouncements.

We agree with the proposed replacement of APB Opinion No. 20, "Accounting Changes," and FASB Statement No. 3, "Reporting Accounting Changes in Interim Financial Statements." Although carrying forward guidance for reporting the correction of an error in previously issued financial statements, a change in an accounting estimate, a change in the reporting entity, and the reporting and disclosure of accounting changes in interim-period information, the proposed Statement essentially reflects the following revisions:

1. To enhance the interperiod comparability of financial information, the proposed Statement would establish retrospective application (i.e., new term having the same meaning as retroactive restatement, except that the latter term will only be used in the future when describing the correction of an error) as the presumed transition method for most changes in accounting principle, including changes in accounting principle required by issuance of new pronouncements. The proposed Statement provides guidance with respect to those instances where it is impracticable to determine either the period-specific effects or the cumulative effect of the change. We agree with all of this proposed guidance.

The proposed Statement indicates that the Board will continue to establish transition guidance that differs from the retrospective application method if it determines that another method is more appropriate in specific circumstances. It is important that the transition guidance in each new pronouncement be given careful attention so as to avoid transition guidance that is not unduly burdensome.

2. The proposed Statement would account for changes in depreciation, amortization, or depletion method for a previously recorded asset as a change in accounting estimate effected by a change in accounting principle. Because such changes would be changes in estimates, they would be accounted for prospectively. However, the proposed Statement would require such changes to be disclosed in the same manner as any other change in accounting principle, including disclosures about how the change in principle is justified on the basis that the new principle is preferable. We agree with this proposed guidance.

Please call David M. Morris at (212) 648-0377 or me if you have any questions.

Very truly yours,