

Stacey Sutay

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From: Hui-Ching Li [hli2@horizon.csuhayward.edu]
Sent: Friday, March 19, 2004 12:39 PM
To: Director - FASB
Cc: dsatin@csuhayward.edu
Subject: File Reference 1200-400



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Dear MP&T Director:

As a graduate student in California State University Hayward studying the Accounting Theory, I am interested to provide several comments on the Exposure Draft of "Accounting Changes and Error Corrections-a replacement of APB Opinion No. 20 and FASB Statement No.3".

Before the new standard set, considering the cost-benefit constraint is necessary. First, I support that the reasons for issuing this proposed statement are to increase convergence GAAP with IASB's GAAP and achieve more comparability in cross-border financial reporting. Due to the trend of globalization, more and more multinational corporations set up, it is rather important that accounting has a uniform standard to improve companies' comparability of financial reporting and help investors attain more useful information and compare different companies in different countries.

However, the main difference between APB Opinion No. 20 and Proposed Statement is to deal with the changes in accounting principles. The Proposed Statement complying with IASB's GAPP, which adopted a retroactive adjustment of the financial statements, is made for prior years on a basis consistent with the new method. Cumulative effect of prior years is reported in the statement of retained earnings as an adjustment. The disadvantages are: (1) it is costly to restate financial statements; (2) it has a potential in violating loan covenant.

In my opinion, the benefits of the Proposed Statement exceed its costs because even though there are some costs to restate financial statements, more comparable and useful information will help investors make a better investment decisions and will be willing to pay more for an interest in the firm.

Sincerely,

Hui-Ching Li