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To: Financial Accounting Standards Board

From: David Voller Jr.

Principles-Based Approach To U.S. Standard Setting Subject:

Date: December 11, 2002

To whom it may concern:

My name is David Voller, and I am writing this memo to voice my comments on the proposal published by the FASB on a principles-based approach to U.S. standard setting. The memo will consist of my view point of the proposal, along with other factors that I feel the board should consider in assessing the extent to which it should adopt a principles-based approach to U.S. standard setting.

Do I support the Board's Proposal?

I feel that the proposal does have potential and I do see the good intent of the proposal, but I think the proposal does need some changes. I am in favor of a principles-based approach, but not without some regulations to assure that auditors do not abuse their professional authority. The FASB needs to have some regulations that will ensure that financial statements are still reliable and not just a representation of what the preparer of the statement decides to report. With a rules-based approach, as we have seen in recent developments, Auditors can find ways to bend the rules and arrange transactions that in principle seem to follow the standards. A principles-based approach can help improve the quality and transparency of financial accounting, because it gives auditors a chance to use personal judgment when faced with a situation that is not so straightforward. A Principles-based approach is also helpful to improve relationships between accountants and clients, because now big companies cannot coincide with the rules while really misleading investors.

Other Factors to be Considered.

There are a few things I would like to recommend to the FASB to consider when preparing the final standard. First of all you have to consider if it is possible to trust accountants to report accurately the transactions of a company now that more decision power is given to accountants. There needs to be some regulations that accountants need to follow, because we cannot give accountants full power to interpret everything. If that was the case there would be no way of comparing financial statements, because every accountant could interpret the statements different from others and there is no comparison there. Also I think there needs to be consequences for accountants who fail to do their job as accountants and report accurately and not mislead the people who use the financial statements. Maybe the FASB can attach some punishments for accountants that fail to use their best judgment and prepare the financial statements accurately.

Conclusion.

In conclusion I feel that there are many positive attributes to having a principle-based approach, but there are some considerations that I have and would need to be addressed before I would ever approve a total principle-based approach.

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