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-----Original Message-----

From: L H [mailto:longhong99@yahoo.com]

Sent: Friday, March 19, 2004 8:05 PM

To: Director - FASB

Cc: Diane Satin

Subject: Opinions about accounting changes and error corrections

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To whom it may concern,

I am a student in accounting theory class at California state university at Hayward. I have read the Proposed Statement of Financial Accounting Standards about accounting changes and error corrections. I feel that this exposure draft should not become a standard, because its costs will be more than its benefits. The following are the reasons:

According to public interest theory of accounting, regulator should have the best interests of society at heart. It does its best to regulate so as to maximize social welfare. Consequently, regulation is thought of as a tradeoff between the costs of regulation and its social benefits in the form of improved operation of markets. This proposal require companies to restate their financial statement if they have certain accounting change. This may improve comparability of financial information and provide a little bit more information to the investors. But I just doubt whether it will maximize social welfare.

First, according to this draft, retrospective application for changes in accounting principle will be required, unless it is impracticable to determine either the cumulative effect or the period specific effects of the change. This means that if a company has changes in accounting principle and the retrospective is practicable for previous 10 years, the company will have to restate previous 10 years financial statement. I cannot imagine how hug the cost is for the company.

Second, I believe that the pro forma disclosure, which is currently required under APB Opinion No.20, should be sufficient for common investors who are the major user of the financial reports. And for accounting experts, they may figure out the number they need without the company's retrospective statement. Therefore, I am just wondering why companies have to pay so much money for the retrospective statement and how many people will be benefited by this new proposal.

Furthermore, the draft states that this proposal will increase convergence with the proposed international financial reporting standards. But in my opinion, this proposal is too cost and it may not become international financial reporting standard. Even it will become international standard, it may change in future since its cost is too heavy. Why we follow them back and forth. It is not worthy.

To sum up, this proposal will benefit few people, but cost a lot for the companies. I don't think it should become a financial accounting standard. Could you please consider more about this draft?

Sincerely,

Long Hong

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