Letter of Comment No: /9

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----Original Message----

From: Chandana M Vemuri [mailto:chandvem@yahoo.com]

Sent: Friday, March 19, 2004 9:19 PM

To: Director - FASB

Cc: dsatin@csuhayward.edu

Subject: File reference 1200-400 (Comments on Exposure Draft E-176)

Dear Sir or Madam:

My name is Chandana Vemuri and I am a Graduate student of California State University, Hayward pursuing my MBA with a specialization in Accounting.

Currently, I am taking a course in Financial Accounting Theory which is unique in that that we are exposed to the many theories of accounting, taught to critically think and analyse the reasons (why and how) accounting is done the way it is done, the reasons for the various accounting standards and laws that come into effect etc and to form our own opinions on accounting changes.

I take this opportunity to comment on FASB's recent Exposure Draft, E-176.

The Exposure Draft E-176 is about Accounting Changes and Error Corrections which is a replacement of APB Opinion no. 20(Accounting Changes) and FASB Statement No.3(Changes in Interim Financial Statements). The Exposure Draft deals with changes in accounting (change in accounting principle, estimate, error or reporting entity). It has adopted the provision of IAS 8. According to APB Opinion 20 most changes in accounting principle are recognized by including in net income the cumulative effect of the change in the current period of the change. However, in the proposed draft, any voluntary changes in accounting principle are going to have a retrospective application unless it is impractical under certain circumstances to have retroactive application and the exceptions have been given. Another aspect is that the change in depreciation, amortization or depletion method is to be accounted as change in estimate effected by a change in accounting principle. This will improve the accounting of an entity by reflecting the fact that it has adopted changes in depreciation, amortization or depletion methods on the basis of the changes in estimated future benefits of the firm and also depending on the usefulness of those benefits to the firm and the information that it gets about those benefits. Yet another provision that has been added within the scope of this Statement is the changes in accounting principle due to the issuance of a new accounting pronouncement.

I think this area is good for the convergence of accounting rules and standards of the FASB and the IASB(International Accounting Standards Board). It will definitely improve the comparability of statements between the periods presented and reconciliation between accounting statements of other countries with the US financial statements prepared in accordance with GAAP. This convergence in accounting will benefit the other countries and the U.S. and will reduce costs of reconciliations of financial statements.

I do agree with the changes proposed in this statement by the FASB and I am in favour of it. I think it

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will be very useful for the financial statement users as the retrospective application of accounting

changes will give rise to more comparability among the financial statements (due to restatement of the

financial statements) and thus will be more informative and useful to users. This will also not have a

major impact on the current income statement(as in the current period approach). This new change

would also increase the reliability of the financial statements due to the retrospective application. If

financial statement users have more information in the statements, they can make better decisions and

this will be useful to the Capital Markets on the whole in the long run. Also this would be useful from

the point of view of auditors as it would make auditing of statements easier.

The only negative aspect about this Statement would be that the restatement of financial statements may

be prove to be quite expensive for the companies. There will also be changes in prior years earnings and

financial ratios with restating the statements by retrospective application. But I think in the long run the

benefits will far outweigh the costs associated with the change.

I definitely think it will make the quality of financial accounting better for all the reasons that I have

cited above.

Thank you.

Sincerely,

Chandana Vemuri