

February 11, 2008



LETTER OF COMMENT NO. 48

Ms. Teresa S. Polley
Chief Operating Officer
Financial Accounting Foundation
401 Merrit 7
Norwalk, CT 06856 -5116

Re: Proposed Changes to Oversight, Structure, and Operations of the FAF, FASB, and GASB

Dear Ms. Polley:

The Institute of Management Accountants (IMA®) appreciates the opportunity to provide its views on the proposed changes to the oversight, structure, and operations of the FAF, FASB, and GASB. IMA is the world's leading association representing the interests of management accountants driving business performance in the areas of decision support, planning, risk, and control.

In summary, we support the efforts to improve the oversight, structure, and operations of the FAF, FASB, and GASB, but we have a few suggestions for refining some of the recommendations. Our comments focus on recommendations related to the FAF and FASB. We offer a list of the FAF-/FASB-related recommendations followed by my comments.

Expand the breadth of individuals and organizations that are invited to submit nominations for the FAF Board of Trustees with the understanding that final authority for all appointments rests solely with the Board of Trustees

In general, we agree with this recommendation. We are hoping that it will result in a more diversified pool of candidates so that nominees do not represent a particular interest group. We are currently concerned that there may be an imbalance in influence from the public accounting sector regarding the FAF's nominations process. Although we can appreciate such influence, there also is a need for more representation from corporations--the economic engines that produce jobs and wealth. Management accounting professionals working inside corporations suffer the most from complexity issues related to financial reporting. Therefore, their input should be critical in determining the FAF Board of Trustees' selection process.

Change the term of service for Trustees from two three-year terms to one five-year term

This proposal would create an insignificant amount of new talent each year since both the current and proposed term would result in an average of three new members each year. Therefore, we are not sure of the long-term benefit of the proposed change regarding terms of service for Trustees.

A better approach would be to leave the two three-year terms in place and initiate a more meaningful renomination review process. It would eliminate the notion of automatic reappointments that apparently is a current problem.

Change the size of the Board of Trustees from sixteen members to a range of fourteen to eighteen members

In general, we support this recommendation as long as the terms of Trustees are not expanded to five years. The proposal states that the Board will have the ability to add particular experience and expertise as needed, but we are concerned that a nominee's experience and expertise may not be relevant throughout a five-year term.

Strengthen and enhance the governance and oversight activities of the Trustees as to the efficiency and effectiveness of the standard-setting process

We strongly agree with this proposal since one of FAF's principal responsibilities is to oversee the standard-setting process, protecting its independence and educating the public about accounting standards. Currently there is no formal, ongoing oversight of the standard-setting process through a standing FAF committee with this responsibility. Such a committee previously existed. Therefore, we recommend that the FAF reestablish an ongoing oversight committee.

Reduce the size of the FASB from seven members to five

We believe that there should be more emphasis on the evaluation of the standard-setting process than on the size of the Board. Our concern is that the quality of the standard-setting process should be improved. A reduction of the number of Board members would most likely yield expedient solutions, but this will not serve the interests of society. The Board should evaluate its standard-setting process to ensure constituents that issues that heavily impact financial reporting (i.e., complexity, convergence of standards, etc.) are addressed during the early stages of the development of standards. The FASB should employ methods such as field testing and post reviews to ensure validity, objectivity, and cost benefit. Early identification of such issues should reduce the number of FSPs issued subsequent to the publication of pronouncements, (i.e., FSPs for FAS #142 and FAS #157). Improving FASB processes will increase the work of the FASB and will require more informed thinking, both of which are inconsistent with a move toward fewer members and more expediency.

Retain the FASB simple majority voting requirement

The FASB should not issue standards unless it is convinced that the standards were developed as part of a quality standard-setting process as described in our comments about the previous section. Therefore, voting results among Board members should reflect this position accordingly.

Realign the FASB composition

Understanding that we do not support a reduction in the number of members, in the event that such a decision is made, then we have a grave concern about risk to Board objectivity. The FAF proposal recommends that four of the proposed five FASB members come from principal backgrounds of auditor, preparer, academic, and financial statement user. The guidelines regarding the other Board member would be "to achieve the appropriate balance on the FASB" and to select the "one at-large, best-qualified member." The FAF's views are not clear when the recommendation says that the fifth member's role is "to achieve the appropriate balance on the FASB." This can be a dangerous objective as some Trustees may feel it means that the overall philosophy of the Board needs to be modified to make it more liberal or conservative with respect to issuing new standards or that such choice should favor the constituency interests of one of the members.

We propose that the fifth member should have a broader view than the proposed constituent representatives. The fifth member should represent the interests of society with respect to the impact of evolving standards on the long-term growth of jobs and wealth in the context of a sustainable, strong economy. Arguably, that would mean a seasoned business executive with no former links to any of the constituent organizations but with the capacity to assess the proposed standards.

Provide the FASB Chair with decision-making authority to set the FASB technical agenda

In general, we agree with the proposal as long as a final requirement is added that the Chair consults with the full Board before final agenda decisions are made. We also suggest the possibility of the development of an agenda committee to formally advise the Chair. The Chair should also consult with constituents who would have an impact on agenda issues.

We have no comments regarding the GASB proposals.

In summary, although we generally agree with the proposals with our views taken into consideration, we think that the FAF should better identify the existing or potential issues the proposals are intended to address. I would be pleased to answer any questions you may have about our views on the proposed changes to oversight, structure, and operations of the FAF, FASB, and GASB. If you would like to talk, I can be reached at 201-474-1579 or 1581.

Sincerely,



Paul Sharman, President and CEO
Institute of Management Accountants