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May 7, 2009

Mr. Russell G. Golden
Director of Technical Application and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
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Proposed Statement of Financial Accounting Standards, The Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162 (File Reference No. 1690-100)

Dear Mr. Golden:

Thank you for the opportunity to comment on the exposure draft of the proposed Statement of Financial Accounting Standards, The Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162. Overall, I believe that the proposed Statement will provide simplification of the hierarchy through the use of the Codification as a one-stop source of GAAP. However, I disagree with the effective date for the proposed Statement, and I believe the use of the terms "authoritative" and "nonauthoritative" need to be further analyzed with regards to their use for the classification of the FASB Concept Statements. I will address the three specific questions as well as provide ending comments to clarify my position on the proposed Standard.

 AICPA TIS Section 5100, paragraphs 38-76, would be applied prospectively for revenue arrangements entered into or materially modified in annual periods beginning on or after December 15, 2009, and interim periods within those years. Do constituents agree with the transition provisions for nonpublic entities that had not previously applied this guidance? Please explain your answer.

Yes. I believe that the transition period is adequate with regards to nonpublic entities that had not previously applied this guidance. Although I disagree with the proposed transition date, assuming the Board adopts a July 1, 2009 effective date for the proposed Statement, the five-month grace period should be more than enough time for the nonpublic entities to adjust their revenue recognition procedures going forward.

2. Do constituents agree with the Board's conclusion that this proposed Statement would not change GAAP except as described in Question 1? If not, please provide specific examples of the changes caused by this proposed Statement.

Yes. Based on my usage of the Codification and my knowledge of GAAP, I am not aware of any other changes to GAAP besides the situation previously mentioned in Question 1.

Do constituents agree with the July 1, 2009, effective date for this proposed Statement?
 If not, please provide a detailed explanation of the reason(s) for extending the implementation period.

No. I disagree with the effective date for this proposed Statement of July 1, 2009. The first reason for my disagreement regards the issue of cost. From what I can find, the Board has not addressed the costs of access to the Codification. Until the Board makes a decision on this matter, the proposed Statement should not go into effect. I would argue that the Codification should be available at no charge to users.

Furthermore, I have not seen the issue of hardcopy availability being discussed by the Board for users who prefer researching this way or for those who are not comfortable using computers. Although the ability to navigate within a computerized research database is generally a necessity for the modern day accountant, I believe we must ensure equal opportunity access to the Codification for those who are not comfortable with computers. If the Board agrees that hardcopies of the Codification must be available, then the proposed Statement should not be effective until these hardcopies are available to the public. In addition, the Board must discuss how often hardcopies will be updated if it sees merit in the idea of printed editions.

My other main concern involves the authoritative position of the FASB Concept Statements within the proposed Standard. Throughout my research, I have used the Concept Statements as guidance when a particular issue isn't addressed within sources that this proposed Statement would consider "authoritative." I believe that some of the best guidance in addressing issues not found in the "authoritative" literature has come from the Concept Statements, which are now being considered to be "nonauthoritative" according to paragraph 10 of the Exposure Draft.

The current FAS 162 gives the Concept Statements a place in the GAAP hierarchy, thus providing a legal defense for those who use the Concept Statements as a means of authority if they cannot find guidance within the sources above these Statements in the hierarchy. Because of the strict nature of our legal system, an accountant would be deterred from using any literature labeled as "nonauthoritative" as a source of guidance if the proposed Statement would go into effect. This situation would be unfortunate if use of the Concept Statements for authority on an issue would have enhanced the reliability and/or relevancy of the information provided in the financial statements. In other words, a decision that may ultimately enhance the reliability/relevance of a firm's financial statements might not be undertaken if the supporting guidance is provided by the Concept Statements.

Therefore, I believe the Board should take the time to further analyze and discuss the use of the term "nonauthoritative" to describe literature like the FASB Concept Statements in addition to the issues of cost and availability. The proposed effective date of July 1, 2009, seems much too soon to have a complete discussion of these issues.

Additional Comments

The Codification is a welcome addition as a means to consolidate the sources of GAAP into one convenient research center. I believe it will help reduce the amount of time, effort, and money needed to research accounting issues as well as provide timely updates of GAAP to reduce the risk of noncompliance. However, it is my opinion that the use of the terms "authoritative" and "nonauthoritative" must be further examined because of important sources such as the FASB Concept Statements if the current four-tier hierarchy is eliminated.

As a result of the necessary further discussion of the issues previously mentioned, the effective date should be pushed back. I would recommend an effective date of no earlier than January 1, 2010. This will allow ample time for further Board discussions as well as allow individuals to familiarize themselves with the Codification. Thank you again for allowing me to comment on the Proposed Standard.

Sincerely,

Nathan J. Sandoz Graduate Student Bradley University