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Mr. Russell G. Golden
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LETTER OF COMMENT NO. 11

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 this exposure draft. The following is a list and discussion of benefits and downfalls.

To start off with, the proposed statement, in general, makes sense. The effects of this statement should be fully considered, but in the end approved. The ability to make the GAAP hierarchy simpler and easier to use can be very beneficial. It provides any user the ability to accurately use accounting standards.

The current hierarchy, in comparison, is more complex and can lead to less accurate results when dealing with a given situation. The proposed hierarchy could lead to more efficient and precise answers to accounting concerns.

I have one comment on the costs and benefits section. I agree that the benefits of the exposure draft and codification outweigh the costs of implementing a new hierarchy especially one that makes researching easier. However, there are certain aspects within the statement where certain businesses must change the way they operate. Specifically it mentions non-public entities that did not follow certain regulations that would now be considered authoritative. The added costs to these companies may not be justified. I would only suggest more research if it is necessary to make these companies change. I am concerned if the costs outweigh the benefits for these businesses.

Here are answers regarding specific questions that were included within the exposure draft.

1. 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?

The acceptance period for nonpublic entity acceptance seems to be adequate. The period of time affecting these types of businesses seems to be fair. However, I would recommend lengthening the period. It would take longer for businesses to adjust their practice accordingly.

From the time the codification becomes effective till the date in question above is only five and a half months. This seems to short to me. I would recommend a grace period until December 15, 2010. This would give companies adequate time in which to make changes. The transition that these types of companies will be making may take added time along with added costs mentioned earlier.

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.

From my understanding, GAAP has not been changed through the codification process, thus this exposure draft has not as well. The purpose of the codification was to simplify all statements that made up GAAP.

In my own personal experience, I have encountered situations where I have been using one statement, when another one (or two) has superseded it, making the research unusable. This process will help to prevent the use of inaccurate information

This exposure draft is intent on keeping GAAP intact, while making the searching process simpler. Being able to find the most accurate source quickly and easily can pay huge efficient dividends.

One topic, the development of new standards and new topics, may be controversial. Newer standards that may come up in the future are mentioned in paragraph 11. I can see from this paragraph of the exposure draft that these would be added to the codification once they are approved. This is satisfactory.

Another aspect of this to consider would be what happens before they are approved? The current method to deal with the topics would be to work your way through the hierarchy until something close can be used. In paragraph 9 we see guidance for how to deal with the same situation using the proposed hierarchy and codification. An individual can look at the first tier authoritative GAAP to find something similar, then nonauthoritative sources. This process is quicker than current practice but still effective nonetheless. I feel even handling new issues would be made easier than before.

New topics and standards can be a very sensitive topic. This exposure draft deals with these situations nicely. By simplifying the process it takes to research a new topic the results will be reached much easier and more efficient. This can be a large benefit of the codification and the exposure draft.

One other situation that could be included within the FASB statement would be what would happen once (if) FASB adopts international standards (IFRS). What would happen to the hierarchy then? This may be a situation that could be covered in a later statement. However, with IFRS slowly gaining momentum, I am curious about what would happen to this proposed hierarchy then. One possible resolution for this would be to simply work international standards into the codification making the hierarchy stay in tact. Nevertheless, I would strongly encourage specifically mentioning the affect that international standards would have on the hierarchy and on the codification.

3. 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.

The effective date of July 1, 2009 is proper. Paragraphs A11 and A14 of the exposure draft provided enough support to conclude this. The codification seems to have had enough support behind it. By the time it becomes effective the codification will have an almost eighteen month window in which the public has had the opportunity to become accustomed to it. This deadline is accurate.

Extending the deadline past this point would not be beneficial. Any additional time would only delay this process. At this point in time, if an individual or company is not aware of the codification process or the exposure draft, extending the deadline will not benefit them. The sooner this hierarchy becomes accepted the better.

I am glad to see that the grandfathering of statements stated in paragraph A17 has been adopted. This was an important topic that I felt needed to be addressed. Certain business may not follow a specific statement, but rather accepted industry practice. In addition, attempting to include industry practice within the codification is also a significant aspect. This will make the codification much more useful to the user.

As stated in paragraphs A18 and A19, this proposed statement, if passed, will increase the ease and effectiveness of financial accounting research. Being able to quickly access information that can be, at times, a bit confusing, can really improve accounting education, instruction, and research.

I encourage the passing of this exposure draft. I would qualify all of this by emphasizing the future. We must be able to plan for the future and what may come. If international standards are what lie ahead of us, then we must plan ahead. I would like to know the affect that that would have on this proposed statement. Nevertheless, this statement can only provide benefits to U.S. accounting.

Thank you for allowing this response,

Sincerely,

Matthew Berlinger