

1890-100 Comment Letter No. 102 1700 NORTH MOORE STREET SUITE 2250 ARLINGTON, VA 22209 T (703) 841-2300 F (703) 841-1184 WWW.RILA.ORG

January 31, 2011

Technical Director File Reference No. 1890-100 FASB 401 Merritt 7 PO Box 5116 Norwalk, CT 06856-5116

Re: Comments on Discussion Paper: Effective Dates and Transition Methods

File Reference No. 1890-100

Dear Members of the Boards:

The Retail Industry Leaders Association ("RILA") and its Financial Leaders Council ("FLC") are pleased to respond to the *Discussion Paper: Effective Dates and Transition Methods*, issued by the Boards on October 19, 2010 (the "Discussion Paper"). RILA is the trade association of the world's largest and most innovative retail companies. RILA members include more than 200 retailers, product manufacturers, and service suppliers, which together account for more than \$1.5 trillion in annual sales and millions of American jobs. We are pleased to offer our comments on the Discussion Paper.

RILA and the FLC appreciate the extraordinary effort that the Boards have undertaken in connection with your convergence project and your goal to improve financial reporting. The unprecedented number and scope of the changes proposed in the various Exposure Drafts, and those likely to be proposed in forthcoming Exposure Drafts, however, will require significant effort and costs to implement after full due process has occurred and the final standards are promulgated. An orderly and realistic timeline for transition and implementation is, therefore, essential. In this regard, and as a preliminary matter, we question whether the current proposed first quarter 2011 date to finalize the Comprehensive Income proposals and second quarter 2011 date to finalize the Revenue Recognition, Financial Instrument, and Leasing proposals is realistic in light of the magnitude of the proposed changes and number of comments the Boards have received. We also have some concern that the Boards' due process could be challenged if these dates are adhered to given the significant number of new Board members, leadership change at FASB, and upcoming leadership change at the IASB.

We see the projects upon which the Boards are seeking comment as falling into three categories: (1) those projects that will require significant effort to implement, but are intended to be relatively narrow in scope; (2) those projects which will have broad and far reaching implications across many industries; and (3) the Boards' presentation project.

Page 2 of 4

In our view, the financial instrument, insurance contract, and comprehensive income projects likely fall into the first category. While many of the changes ultimately proposed may require significant resources to implement, our understanding is that the scope of the projects is intended to be relatively narrow and the proposed changes not extensive. However, three of the four projects have not yet been released in the form of an Exposure Draft and the fourth project has not been finalized. Until the final pronouncements are promulgated, and the extent of the changes known, it is difficult if not impossible to quantify with any accuracy the related costs to implement or to propose a meaningful implementation date or dates.

As evidenced by the large number of comment letters received on the leasing and revenue recognition projects, they would fall into the second category – projects that will have broad implications for many industries, including ours. The extent of the changes proposed in the Exposure Drafts is extraordinary and will fundamentally alter current practices if finalized in their current form. Again, because the final pronouncements have not been promulgated, the full extent of the changes that ultimately will be required is not yet known. It is clear, however, that the cost of implementation and amount of time required will be substantial. Additional staff will undoubtedly need to be hired, all staff and Boards of Directors, including their Audit Committees, will have to be fully educated as to the new standards, significant systems changes will need to be developed, tested, and implemented in order to execute the new standards,² Sarbanes-Oxley procedures will be impacted, new audit procedures (both internal and external) will have to be developed, and significant time discussing the impact of the changes with the analyst and investor communities will be required. In addition to finance and accounting, many of the proposed changes also will directly impact numerous other business areas, including treasury, legal, human resources, tax, real estate, procurement, etc. and require the expenditure of considerable additional resources. Three key types of agreements that will be impacted, potentially significantly, are employee compensation and benefit plans, loan agreements, and lease agreements.

The Boards' forthcoming financial statement presentation Exposure Draft is in a separate category. We believe that it is premature to discuss presentation issues before the projects proposing changes to the underlying financial accounting are finalized. We recognize that the Boards have changed their plan to issue an Exposure Draft in the first quarter of 2011, but, in our view, this project should be deferred until the major convergence projects have been completed. It is only at that time that the extent of any necessary changes will be known. Moreover, although financial statement presentation is important and will require robust system changes, our most vital concern is that substantial financial statement presentation changes will require careful analysis and study internally before the necessary external communication can occur with

RILA and its FLC filed detailed comments on the Boards' leasing proposals which set forth our specific views with respect to that Exposure Draft.

The system changes alone will unquestionably take years to implement and cost millions of dollars, and perhaps many times that amount.

Technical Director January 31, 2011 Page 3 of 4

the analyst and investor communities. We believe that these changes should not be made in a piecemeal fashion and that deferral of the project is the only appropriate course.

Because none of the proposals upon which the Discussion Paper seeks comment has been finalized, we have no certainty whether or to what extent the final pronouncements will differ from the Exposure Drafts or, in the case of the first category of projects, what the Exposure Drafts will ultimately propose once issued. Given the sheer volume of comments received on these projects and consistent with the Boards' due process regime, it would appear that meaningful field testing (or additional field testing to the extent preliminary field testing has occurred) of at least the leasing and revenue recognition proposals (the second category of proposed pronouncements) would be prudent. To the extent the Boards were to deem significant revisions to the Exposure Drafts appropriate, as many of the comment letters recommend, we would strongly advocate re-exposure of the revised proposed standards and an open dialogue of the new proposals, perhaps in the form of roundtable discussions. In addition, the Securities and Exchange Commission ("SEC") has not yet made a determination as to whether or when U.S. issuers would be required to use IFRS. Accordingly, in our view, any specific implementation timeline cannot be determined until the final pronouncements are promulgated and this important decision by the SEC is made.

Because of the uncertainty concerning the scope and extent of the changes that will ultimately be required, we are not in a position to offer specific views as to retrospective application of any new rules – although generally we are not in favor of such application. Because of significant comparability concerns, we do not believe that allowing early adoption of any final standards would be appropriate.

Moreover, for the reasons discussed above, we are not in a position to advocate for sequential effective dates or a single-date approach, and we suggest that the effective date and transition rules be severed from the substantive projects and issued in a separate document once the underlying substantive proposals that are the subject of the Discussion Paper are finalized. We do not believe that this approach would substantially delay what would otherwise likely be realistic implementation dates. This approach would, however, provide more assurance that the Boards are receiving the most meaningful and accurate information as to the costs of implementation, realistic implementation dates, and transition rules and periods. Indeed, it may well be that, given enough time, all of the proposed changes could be implemented at the same time, thereby eliminating the need to repeatedly re-educate the investor and analyst communities and negotiate and implement repeated and expensive systems changes and upgrades and operational changes including, importantly, changes to loan covenants, employee compensation and benefit plans, etc. Separation of the effective date and transition rule periods from the underlying substantive proposals also would give the SEC time to finalize its decision as to whether to mandate the use of IFRS. This important decision also should be a significant consideration for the Boards. From the preparer standpoint, our proposal would have the added benefit of not requiring U.S. issuers to incur all of the costs associated with making the changes likely to be required by the new GAAP, and to again be faced with changes to comply with IFRS, potentially in quick succession.

Should the Boards be unwilling to bifurcate the effective date and transition rules from the substantive aspects of the projects, we believe that the effective date and transition periods must provide sufficient time for implementation and transition. To the extent the Boards were to require comparative statements, we believe that the effective dates of the proposals should be three years after what we set forth below as the minimum realistic timeframes. For the first category (the financial instrument, insurance contract, and comprehensive income projects) we believe that it would take a minimum of 2-3 years after final promulgation of the new standards to engage in all of the activities³ that would be required to implement the standards. Again, it is difficult to provide the Board with meaningful information in this regard because three of the four projects have not yet been issued even in Exposure Draft form. For the second category (leasing and revenue recognition), we do not believe that a realistic timeframe would be any earlier than 4-6 years after final promulgation of the new standards, given the nature and extent of the likely changes. Again, we do not believe that it is currently practicable to discuss a proposed effective date for the financial statement presentation project.

We appreciate the opportunity to offer our comments on this important Discussion Paper.

-

As discussed above, these would include analysis of the final proposals to assess the impact on finance and accounting, treasury, tax, legal, etc., changes to and testing of systems, necessary education (internal and external), and required revisions to key types of documents.