November 17, 2010

Ms. Leslie F. Seidman
Acting Chairman
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. 1890-100; FASB Discussion Paper Effective Dates and Transition Methods,

Dear Ms. Seidman,

The Financial Reporting Committee ("FRC") of the Institute of Management Accountants ("IMA") is writing to share its comments on the FASB’s Discussion Paper, Effective Dates and Transition. Our detailed responses to the specific questions in the Discussion Paper have been provided in Appendix A.

FRC is the financial reporting technical committee of the IMA. The Committee includes preparers of financial statements for some of the largest companies in the world, representatives from the world’s largest accounting firms, valuation experts, accounting consultants, academics and analysts. The FRC reviews and responds to research studies, statements, pronouncements, pending legislation, proposals and other documents issued by domestic and international agencies and organizations.
First of all, we support the objective of the FASB and IASB working towards convergence and improving financial reporting. We also understand and support the revisions made recently to the Boards' timetable for certain key projects and their decision to suspend deliberations on certain other projects to focus on priority standards such as revenue recognition, leasing, and accounting for financial instruments. As we have expressed in our prior communications, sufficient due process is critical to ensure only the best possible standards are issued. While we support the revisions to the Boards' timetable, we nevertheless remain skeptical about whether some of the projects, for example revenue recognition, financial instruments and leases, can be completed by the proposed June 30, 2011 due date without sacrificing quality. Further, because of the significance of these standards, we believe it is prudent to consider the involvement (for example, up-to-speed time and discussion) of any new FASB and IASB Board members that are expected to be added to the Boards.

With respect to the implementation and transition of the proposed standards subject to the Discussion Paper, we continue to be concerned with the potential one-two punch of first adopting a non-converged or even a converged FASB standard (the converged FASB standard could have similar principles but different details or rules) and then adopting IFRS\(^1\). We do not believe there is any benefit to investors for entities to adopt new accounting standards twice in what could be a short period. Further, the changes to financial statements resulting from such a "dual adoption" would undoubtedly cause confusion in the capital

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\(^1\) Refer to our letter to James Kroeker, Chief Accountant of the U.S. Securities and Exchange Commission dated June 9, 2010 (copy attached). We recognize that paragraph 12 of the Discussion Paper asks respondents to not consider possible adoption of IFRS in the U.S., but we do not believe such an approach is realistic or helpful in the context of addressing adoption of these proposed standards.
markets and would (i) cost companies a significant amount of time to adopt and thus their shareholders a great deal of money to comply and (ii) require investors to spend a significant amount of time and resources to analyze and interpret the effects of the changes. For these reasons, we strongly recommend that the FASB work together with the SEC to avoid a one-two punch. For example, the SEC could consider suspending adoption of FASB rule changes if it were to decide that US companies should adopt IFRS.

In light of the recent announcement to suspend deliberations on the projects addressing Financial Statement Presentation (including discontinued operations) and Financial Instruments with Characteristics of Equity, we have refrained from commenting on those specific projects herein.

We appreciate the opportunity to provide our comments and would be pleased to discuss them with you at your convenience. I can be reached at (212) 484-8112.

Sincerely,

Allan Cohen
Chair, Financial Reporting Committee
Institute of Management Accountants

cc: James Kroeker, Chief Accountant, US Securities and Exchange Commission
    Sir David Tweedie, Chairman, International Accounting Standards Board
    Teresa S. Polley, President and Chief Executive Officer, Financial Accounting Foundation
Appendix A
Responses to Specific Questions

Question 1

Please describe the entity (or the individual) responding to this Discussion Paper. For example:

a) Please indicate whether you are primarily a preparer of financial statements, an auditor, or an investor, creditor, or other user of financial statements (such as a regulator). Please also indicate whether you primarily prepare, use, or audit financial information prepared in accordance with U.S. GAAP, IFRSs, or both.

b) If you are a preparer of financial statements, please describe your primary businesses or businesses, their size (in terms of the number of employees or other relevant metric), and whether you have securities registered on a securities exchange.

c) If you are an auditor, please indicate the size of your firm and whether your practice focuses primarily on public companies, private entities, or both.

d) If you are an investor, creditor, or other user of financial statements, please describe your job function (buy side/sell side/regulator/credit analyst/lending officer), your investment perspective (long, long/short, equity, or fixed income), and the industries or sectors you specialize in, if any.

e) Please describe the degree to which each of the proposed new standards will likely affect you and the factors driving that effect (for example, preparers of financial statements might explain the frequency or materiality of the transactions to their business and investors might explain the significance of the transaction to the particular industries or sectors they follow).

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Question 2

Focusing only on those proposals that have been published as Exposure Drafts (accounting for financial instruments, other comprehensive income, revenue recognition, and leases):

a) How much time will you need to learn about each proposal, appropriately train personnel, plan for, and implement or otherwise adapt to each new standard?

b) What are the types of costs you expect to incur in planning for and adapting to the new requirements and what are the primary drivers of those costs? What is the relative significance of each cost component?

We believe a significant amount of time and resources are necessary to adopt the proposed standards. Each of the standards is highly complex and most affect key financial statement line items and disclosures. We are concerned that if a sufficient amount of time is not provided, many practice issues will surface only after the standards are adopted. The specific time needed and costs to be incurred will depend on the transition method selected (e.g., retrospective, prospective or a modified alternative), a company’s financial reporting resources and its information systems. However, there will be a baseline amount of time and costs that will have to be incurred regardless of the transition method selected. For companies who have multiple product lines or revenue streams and/or multiple geographic branches or headquarters, simply identifying all the contracts and transactions that would be subject to the proposed rules will be a large endeavor. In addition, we anticipate that the manpower and resources necessary to develop processes and systems to capture and record data and test those processes, systems and data will be significant. Further, the nature of the requirements in the final standard will also dictate, to a great degree, the costs of applying the new standards. For example, if the leasing standard were changed to eliminate the need to consider renewal options and contingent rents, the standard would be less difficult and costly to adopt. Similarly, the concepts of variable consideration and the proposed treatment of intellectual property licenses in the revenue recognition standard (among other concepts) will, in no small part, dictate how much effort is involved in adopting that standard for affected companies.

Types of costs that companies expect to incur in adopting the proposed standards include internal personnel costs (for matters such as training, process development and testing, financial reporting, investor relations and tax to name a few), costs to modify systems to capture the required information for accounting and reporting (which would vary depending on the type of systems employed by companies), third-party training and consulting (when a company lacks sufficient internal resources to carry out this function) and external accounting fees for financial statement audits. In addition, companies might expect to incur other legal/transactional-type costs if leases or other contracts need to be modified or renegotiated to address accounting or reporting issues that would arise from adopting the proposed standards. For these reasons, we believe an effective date for these proposed standards should be no earlier than (for calendar year companies) years ending after December 15, 2016.
Question 3

Do you foresee other effects on the broader financial reporting system arising from these new standards? For example, will the new financial reporting requirements conflict with other regulatory or tax reporting requirements? Will they give rise to a need for changes in auditing standards?

As with the adoption of most any accounting standard, the adoption of these standards will have implications beyond accounting and reporting. For example, compliance with contracts (e.g., debt covenants, royalty arrangements, etc.) will have to be assessed. In addition, because of the significant changes to a company’s balance sheet that could result from the adoption of certain of the proposed standards (e.g., leasing), the proposed standards could have a significant impact on banks’ capital requirements.

Question 4

In the context of a broad implementation plan covering all the new requirements, do you agree with the transition method as proposed for each project? If not, what changes would you recommend and why? In particular, please explain the primary advantages of your recommended changes and their affect on the cost of adapting to the new reporting requirements.

We have previously provided comment letters on the exposure drafts for revenue recognition and other comprehensive income where we comment on the transition plans for the proposed standards. Further, we expect to provide our comments on the proposed leasing standard in the near future. In general, we believe that a retrospective transition is more useful to users of financial statements. However, we have concerns that for some pronouncements, a retrospective adoption would be impracticable. For example, as we have elaborated in our comment letter on the proposed standard on revenue recognition, issues such as variable consideration, time value of money and the long-term nature of certain license agreements (to name a few) will make adopting the revenue recognition standard using a retrospective approach impracticable. Even in those situations where a retrospective adoption is possible, the costs to apply these standards retrospectively will no doubt be significant. Accordingly, given the significance of the various proposed statements, we believe that it is preferable for companies to adopt the proposed standards on a prospective basis, however if retrospective adoption is too costly or not practicable given the significant changes in the exposure drafts, companies should be permitted to adopt the proposed standards on a prospective basis with pro forma supplemental information.
Question 5

In thinking about an overall implementation plan covering all of the standards that are the subject of this Discussion Paper:

a) Do you prefer the single date approach or the sequential approach? Why? What are the advantages and disadvantages of your preferred approach? How would your preferred approach minimize the cost of implementation or bring other benefits? Please describe the sources of those benefits (for example, economies of scale, minimizing disruption, or other synergistic benefits).

b) Under a single date approach, what should the mandatory effective date be and why?

c) Under the sequential approach, how should the new standards be sequenced (or grouped) and what should the mandatory effective dates for each group be? Please explain the primary factors that drive your recommended adoption sequence, such as the impact of interdependencies among the new standards.

d) Do you think another approach would be viable and preferable? If so, please describe that approach and its advantages.

Because of the complexity and fundamental changes that are set forth in the proposed standards, we believe a single date/period approach makes the most sense in terms of adoption. Such an approach would provide the most benefit to investors and other users of financial statements since they can begin evaluating and comparing companies' financial statements inclusive of all the accounting changes, as of a single date.

In support of a single adoption date, paragraph BC22 of the revenue recognition exposure draft notes that “some contracts with customers would be partially within the scope of the proposed guidance and partially within the scope of other standards (for example, a lease with a distinct service). In those cases, the Boards decided it would not be appropriate for an entity to account for the entire contract in accordance with one or the other standard” (a similar message comes through in paragraph 6 of the leasing exposure draft). Furthermore, paragraph BC23 of the revenue recognition exposure draft notes that “specific issues could arise in separating contracts that are not within the scope of the proposed guidance. For example, a financial instrument or an insurance contract might require an entity to provide services that are best accounted for in accordance with the standards on financial instruments or insurance contracts”. As such, the revenue recognition, lease, insurance and financial instrument accounting guidance would all need to be adopted together in order to properly account for such transactions.

In addition, we are concerned that with a staggered implementation approach, information systems that must be modified because of the requirements of a proposed standard might have to be further modified if another proposed standard becomes effective at a subsequent date and affects those same systems. Enacting a single adoption date would mitigate this risk. Further, we do not believe that staggering the implementation dates will result in cost
savings as compared to a single-date approach. Specifically, companies will have to renegotiate and adjust various covenants, royalty and earn out agreements and other third party agreements in connection with the various accounting changes. To renegotiate such arrangements three or four times would be excessively costly to companies. Provided that sufficient time is granted for the adoption of the proposed standards (see our response to question 2) we support a single-date approach which should be no earlier than (for calendar year companies) years ending after December 15, 2016.

**Question 6**

*Should the Board give companies the option of adopting some or all of the new standards before their mandatory effective date? Why or why not? Which ones? What restrictions, if any, should there be on early adoption (for example, are there related requirements that should be adopted at the same time)/*/n

We believe the Boards should not allow the option of adopting some or all of the new standards before their mandatory effective date. Because of the fundamental changes prescribed by the proposed standards, upon adoption most companies financial statements will be drastically different than prior to adoption. If an option were permitted for companies to early-adopt some or all of the proposed standards, some companies may decide to early-adopt while others do not thus causing a high degree of noncomparability for financial statement users.

**Question 7**

*For which standards, if any, should the Board provide particular types of entities a delayed effective date? How long should such a delay be and to which entities should it apply? What would be the primary advantages and disadvantages of the delay to each class of stakeholders (financial statement preparers, financial statement users, and auditors)? Should companies eligible for a delayed effective date have the option of adopting the requirements as of an earlier date?*

We do not believe certain types of entities should have a delayed effective date. The effect of permitting certain entities to delay the adoption of the new standards would result in financial statement users (including banks who conduct lending activities) having to consider two sets of accounting standards for a period.
Question 8

*Should the FASB and IASB require the same effective dates and transition methods for their comparable standards? Why or why not?*

In order that the Boards continue on a path of convergence towards a single set of uniform accounting standards, we strongly believe the FASB and IASB should both require the same effective dates and transition methods for their comparable standards.

Question 9

*How does the Foundation’s ongoing evaluation of standards setting for private companies affect your views on the questions raised in this Discussion Paper?*

The Foundation’s ongoing evaluation of standards setting for private companies does not significantly affect our views on the questions raised in this Discussion Paper.

Other Matters

We recommend that the table in paragraph 18 of the Discussion Paper be reviewed again. For example, we would have described the transition for financial instruments as more “cumulative catch up” and we thought “retrospective” was recommended/ permitted for Consolidation: investment companies.
June 9, 2010

James Kroeker, Chief Accountant
U.S. Securities and Exchange Commission
Office of the Chief Accountant
100 F Street, NE
Washington, DC 20549

Re: Work plan for International Financial Reporting Standards ("IFRS")

Dear Mr. Kroeker:

The Financial Reporting Committee ("FRC") of the Institute of Management Accountants ("IMA") is writing to make a specific suggestion concerning the Securities and Exchange Commission’s work plan for the potential adoption of IFRS for registrants in the United States.

FRC is the financial reporting technical committee of the IMA. The committee includes preparers of financial statements for some of the largest companies in the world, representatives from the world's largest accounting firms, valuation experts, accounting consultants, academics and analysts. The FRC reviews and responds to research studies, statements, pronouncements, pending legislation, proposals and other documents issued by domestic and international agencies and organizations.

We are, of course, aware of the Securities and Exchange Commission’s work plan for the potential mandatory adoption of IFRS for registrants in the United States, as well as its plans for continuing to provide more details and to seek comments. Although we are supportive of a work plan, we believe the SEC Staff should give ample consideration to the issues that will arise from the adoption of a significant number of accounting pronouncements to be issued by the FASB in the near term followed by the potential adoption of similar (but not the same) accounting pronouncements under IFRS if the SEC decides to require registrants to adopt IFRS. In that respect, we are concerned about the potential ramifications if registrants are required to adopt a non-converged FASB standard prior to adopting IFRS (for example, the adoption of the FASB’s standard on financial instruments, followed by a transition to IFRS that results in accounting for financial assets at amortized cost, a so-called “one-two punch”). We do not believe there is any benefit to investors in registrants adopting new accounting standards twice in what could be a short period. The changes to financial statements resulting from such a “dual adoption” would undoubtedly cause confusion in the capital markets and would cost registrants a significant amount of time to adopt and their shareholders a great deal of money to comply.
Perhaps this is an issue on which the SEC Staff is focused, but if not, we believe it should specifically take the aforementioned matters into account if the SEC decides to transition to IFRS. Specifically, if the SEC concludes on completion of its work plan that registrants should adopt IFRS but, prior to the date on which registrants would begin to report in accordance with IFRS, a non-converged FASB standard becomes effective, the SEC should consider whether the non-converged FASB standard should ever be adopted by registrants. Adopting the non-converged FASB standard and subsequently adopting IFRS would result in the so-called one-two punch.

Should you have any questions please do not hesitate to call me.

Sincerely,

Mick Homan
Chair, Financial Reporting Committee
Institute of Management Accountants
(513) 983-6666

cc:
Robert Herz
Teresa Polley