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To: [director@fasb.org](mailto:director@fasb.org)  
From: Stephanie Maymon (Providence College Student)  
Date: December 11, 2002  
Subject: Principles-Based Approach to US Accounting Standard Setting

I am writing to you in response to the Financial Accounting Standards Board proposal of a principles-based approach to accounting standard setting. I am a junior accounting major at Providence College and as part of my intermediate accounting class we have engaged in many discussions about the significance of FASB standards when preparing financial reports, as well as the impact of these standards on investors. With recent scandals, such as Enron and Tyco occurring throughout the accounting industry, many have begun to question the validity of the standards and whether or not they are up to par when it comes to financial reporting. The new principles-based approach to standards appears to be a good solution to the problems concerning exceptions that allow companies to achieve their desired results without altering their financial information and misleading investors. Also, I feel the effect that the new standards will have on consistency and comparability is another pertinent aspect of the principles-based approach.

The Board's proposal, I feel, is a big step in the right direction toward providing better guidelines for financial accounting and reporting. As they are now, the standards are too detailed and complex for investors and accounting professionals to understand and follow when preparing statements. Because the standards are rule driven, they eliminate the opportunity for accountants to form their own professional judgments based on their experience and the conceptual framework behind the standards. The new principles-based approach should improve the quality and transparency of US financial accounting because it will reduce the exceptions that are made for illegitimate practices as well as decrease the scandals that take place in the industry. By setting up standards that are broadly based on principles rather than rules, it allows the Board to provide guidance for specific issues and also more of a focus on applying judgment. Also, I feel that the Board should be the primary standard setter responsible for providing guidance.

However, it should consider the concerns of financial institutions regarding standard setting and the explanations of the standards.

The principles-based approach to standard setting is a great way for accounting standards to become both more universal and understandable. Though it may take some time for auditors, investors, the SEC and other users of financial information to adapt to the new standards, it seems as though they are just a building block for future accounting practices and easier ways of preparing financial reports. As for the consistency-comparability factor, I feel that a broader principles-based approach will allow more comparisons to be made between companies and for changes to be made to struggling companies. With the change to principles over rules, it makes the standards similar to those of the International Accounting Standards Board, allowing for future comparisons to be made with similar companies overseas. Rather than losing comparability and consistency, they would be gaining it throughout many other industries, as they would all be following similar guidelines. In a recent *Wall Street Journal* article, companies stated that if they followed the principles-based approach when preparing financial reports, they would be presented with more feedback as well as a greater comparability when deciding which methods are more efficient. Overall, I feel that with proper improvements of the conceptual framework and changes in behavior of participants, the principles-based approach is a great method for modifying accounting standards.

Thank you for taking the time to read my comments. I hope they are helpful in providing feedback regarding the principle-based approach to standard setting.