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From: Lianyi Jia [lianyi_jia@hotmail.com]
Sent: Friday, March 19, 2004 2:07 PM
To: Director - FASB
Cc: dsatin@csuhayward.edu
Subject: opinion on "accounting changes and error corrections"

Hi,

My name is Lianyi Jia. I'm an accounting major student in MBA program of California State University, Hayward. Currently, I am studying an accounting theory class in which we discussed lot of recent drafts of FASB. Among those discussions, I acquired and widened my knowledge in accounting.

Today, I read the summary of Accounting Changes and Error Correction-a replacement of APB Opinion No.20 and FASB Statement No.3. In my opinion, this is a good draft and will make accounting better because it would improve financial reporting on comparability among financial statements and on better reflection of the accounting changes, thus would provide a clearer picture for investors or the users of the financial statements.

The main reason that FASB propose the statement is to converge with internal accounting standards, thus make it more consistent with IAS 8. And the comparability between these two standards will be increased too.

According to the draft, it would require retrospective application for changes in accounting principles unless it is impracticable to determine either the cumulative effect or the period-specific effects of the change. If it is impracticable to determine the period-specific effects of an accounting change on one or more individual prior periods presented, the proposed Statement would require that the new accounting policy be applied to the balances of assets and liabilities as of the beginning of the earliest period for which retrospective application is practicable and that a corresponding adjustment be made to the opening balance of retained earnings (or other appropriate balance sheet caption) for that period. If it is impracticable for an entity to determine the cumulative effect of applying a change in accounting principle to all prior periods, the proposed Statement would require the new accounting principle to be applied as if it were made prospectively from the earliest date practicable. Therefore, the proposed statement would improve comparability of financial information between periods presented

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by requiring retrospective application of all comparative financial statements when reporting most accounting changes;±. At the same time, this proposed Statement would improve comparability of financial information between periods by requiring that a new accounting principle be applied as of the earliest date practicable;± where full retrospective application is impracticable.

In addition, because it would require that a change in depreciation, amortization, or depletion method be accounted for as a change in accounting estimate, the proposed Statement would better reflect the fact that an entity should adopt changes in its depreciation, amortization, or depletion method only in recognition of changes in estimated future benefits of an asset, in the pattern of consumption of those benefits, or in the information available to the entity about those benefits.±

Also, the proposed Statement will be more consistent with IASB's proposed provision of IAS 8. Thus, the convergence with international financial reporting standards will make the financial statement of a foreign company which use IAS 8 to be useful and convenient for the American investors.

Inevitably, the adoption of the proposed statement may increase part of costs for the public companies, but trade-off between the benefits and the costs it will bring, I believe the benefits outweigh the costs to provide a clearer and more reliable picture for the investors or the users of financial statements.

O.K. That's my opinion on the proposed statement.

Best regards!

Lianyi Jia

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