Letter of Comment No: 93

Date Received: 12/20/02

File Reference: 1125-001

----Original Message----

From: Wendy Sevilla [mailto:wendy_ui@yahoo.com]

Sent: Friday, December 20, 2002 4:12 PM

To: director@fasb.org

Subject: Response to Principles-Based Approach

To Whom It May Concern:

As a graduate student preparing myself for the professional world as an accountant, I have concerns related to the implementation of the principles-based approach to standard setting currently being considered by the Board. There are three major constraints that I see associated with the undertaking of a principles-based approach. These constraints are

set forth below.

1. Our professional responsibilities as accountants involve the duty to provide investors and creditors with information that is relevant, comparable and consistent. These three concepts stand to be greatly compromised under this new approach. The information provided will cease to be an outgrowth of the application of a common set of accounting standards. Rather, it will be more a function of the individual auditor or audit team, leaving great variance in the results. As such, an audit completed by two different CPA firms could result in drastically different outcomes in the information provided to vested interests.

2. The principles-based approach puts great faith in the ethical values of all accountants, more faith than I believe is warranted given the current environment. Given the deficiencies of audit procedures highlighted in several well-publicized cases in the past year, it is clear that too much unstructured guidance in the hands

of low quality auditors can further exacerbate these accounting failures. Certainly, an increased emphasis on substance over form, as dictated by the principles-based approach, is one step in minimizing the reoccurrence of such

accounting failures. However, the same auditors who feel justified in a certain

accounting treatment because it conforms to the "rules", I believe are also the

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same ones that could cleverly devise a way to make the "substance" of the transaction fit when needed as well.

In this respect, the principles-based approach has costs related to the "human factor" that outweigh any benefits to be gained. My stance is summarized well in an article written by Dale Gerboth, entitled "The Conceptual Framework: Not Definitions, But Professional Values". In this Accounting Horizons article, Gerboth states: "The key to accounting objectivity, both in setting standards and in practice, lies where it has always lain, in the values- in the integrity and personal responsibility- of those who practice accounting. With those values, accounting has all it needs to attain the highest degree of objectivity the profession is capable of attaining. Without those values, objectivity of any kind is beyond reach. Now, when accounting is being challenged as never before, it must take its direction not from its concepts, but from its values; it must find its security not in its intellectual structure, but in its professional conduct; in short, it must attend not to the book of accounting, but to the behavior of accountants."

In summary, I agree that the current "reactive" state of the Board has resulted in an excessive amount of overcomplicated rules, trying to set forth an accounting treatment for every conceivable issue. It is time to streamline these rules, and let professional judgment be a viable substitute, but not to the extent that rules cease to exist. Rather, the ideal approach is one that synthesizes the current rule-based approach with the principles-based approach. In order to accomplish this successfully, the educational system needs to be considered as paramount in this transformation process. Currently, future accountants at the undergraduate level are trained heavily in a rule-based format, instead of a judgment-based format. Structuring the training of accountants to include case study approaches where rules are learned within the context of a business environment can enhance the professional judgment capabilities of these future accountants. Should the Board proceed with the new principles-based approach without ensuring that the

foundations of future accountants are properly built for this approach, I foresee an ineffective approach that will fail society.

Thank you for your time.