January 3, 2003

Letter of Comment No: |2| File Reference: 1125-001 Date Received: |3/03

Ms. Suzanne Bielstein Director of Major Projects and Technical Activities Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

Re: File Reference No. 1125-001

FILED ELECTRONICALLY (director @fasb.org)

Dear Ms. Bielstein,

We appreciate the opportunity to comment on the Financial Accounting Standard Board's ("the Board") proposal, Principles-Based Approach to U.S. Standard Sctting ("the Proposal"). This letter summarizes our views and concerns on this proposed project.

We agree a high-quality financial reporting system is critical to effective operation of our capital markets and efficient functioning of the economy. The events of the past year, particularly some of the more egregious abuses, have shaken public confidence in the U.S. financial reporting system and in our capital markets. We do not believe any system can eliminate noncompliant and misleading reporting of companies led by irresponsible executives. However, we think a principles-based approach, more focused on the economic substance of the of the underlying business activity and transactions, rather than a rules-based approach could, if properly implemented, improve our financial reporting system.

We have provided a summary of our more significant comments, concerns and suggestions in the following paragraphs. The attached Exhibit includes our detailed response to each request for comment in the Proposal.

The current rule-based standards in the United States have become increasingly detailed and complex in an attempt to contemplate virtually every application of any given standard. With the ever-expanding set of rules it is difficult for accounting professionals to stay abreast of financial reporting developments and equally difficult for financial statement users to digest and understand. Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133") is certainly the best example of the complexity of the rule-based approach. This approach includes numerous exceptions and requires a large amount of detailed interpretive and implementation guidance. This guidance, in turn, further increases the level of detail and complexity, as well as the opportunity for financial engineering and gamesmanship.

We think a principles-based approach could, if properly implemented, enhance the quality and transparency of U.S. financial reporting primarily by returning the focus of attention to the economic substance of the underlying business activity and transactions, rather than their form. This approach would have the additional benefits of reducing the complexity of the standards and mitigating standards and disclosure overload. Because this approach would require greater exercise of professional judgment by preparers and auditors it could also enhance professionalism in both the corporate reporting and auditing professions. Furthermore, we think this approach would reduce the opportunity for financial engineering of business transactions and increase the likelihood that transactions will be accounted for according to their economic substance rather than their form.

Additionally, a principles-based approach could yield benefits for the standard setting process. Standards based on broad principles would be more flexible and would more readily accommodate future developments in the marketplace. Such standards would also require less time to develop and, thus, could be more responsive to emerging issues. Furthermore, a principles-based approach could facilitate convergence between U.S. reporting standards and international standards promulgated by the International Accounting Standards Board ("IASB"). Convergence of international standards could streamline reporting requirements for global companies and, as a result, would improve effective operation of global capital markets.

We agree with the Board and views expressed by Mr. Herz that a principles-based approach would require changes in the attitudes and behavior of all of the participants in the U.S. reporting process. This would not only include the standard setting bodies, but also the SEC, registrants, auditors, analyst community, stock exchanges and other regulatory authorities, as well as many others. We think the success of a principles-based approach would be dependent on the support and commitment of all these constituencies and would be critically dependent on the agreement and active support of the SEC.

We also believe a number of issues need to be addressed to successfully implement a principles-based approach to standard setting. We have summarized these issues in the following paragraphs.

U.S. Standard Setting Bodies and Processes

We agree implementation of a principles-based approach to standard setting will require changes to the roles and composition of U.S. standard-setting bodies and related processes to control proliferation of standards and ensure alignment. We think the Board's decision to consolidate the activities of AcSEC and to take a more direct role in establishing the agenda of the Emerging Issues Task Force ("EITF"), as well as in its deliberations and ultimate pronouncements, will ensure alignment of these activities with both the standard setting process and resulting standards. We also agree with the Board's aggressive pursuit of convergence in international accounting and reporting standards and believe commitment to this objective is of great importance in today's global marketplace. Moreover, it is particularly important that the U.S. take a very prominent and active role in the creation of international standards in view of its position as the largest global capital market.

Development of an Overall Reporting Framework

We support the development of an overall reporting framework similar to the framework adopted by the IASB in International Accounting Standards No. 1, "Presentation of Financial Statements" ("IAS No. 1"). We think such a framework could facilitate consistency in financial statement presentation and resolve existing reporting issues. We also think a "true and fair view override" is critical to a principle-based approach to standard setting. This would fundamentally require that the accounting treatment, in any given situation, reflect the economic substance of the underlying business activity and transactions

Diversity in Practice

We are also concerned that broad-based principles could result in significant diversity in practice. For example, the major public accounting firms could recommend significantly different accounting treatment for transactions that are substantially identical based on differing interpretations of the same broad principles. As a result, comparability could suffer. Consequently, we think some degree of continued interpretive and implementation guidance (as discussed more fully in the following paragraph) will be necessary to avoid divergence in practice and minimize the opportunity for "opinion shopping." We also think that a "true and fair view override" is essential to the implementation of a principles-based approach requiring accounting treatment to reflect the economic substance of the underlying business activity and transactions (as noted in the preceding paragraph).

Circumstances Requiring Interpretive and Implementation Guidance

We think interpretive and implementation guidance will continue to be necessary to facilitate comparability. Circumstances requiring such guidance could be limited to situations where issues are likely to result in divergence in practice or unacceptable application of principles. For example, the International Financial Reporting Interpretations Committee of the IASB provides such guidance "on issues that are likely to receive divergent or unacceptable treatment in the absence of such guidance."

Lack of Due Process

A principles-based approach to standard setting will, without question, require the agreement and active support of the SEC. It is important for the SEC to accept the likelihood that a principles-based framework will result in somewhat increased diversity in the application of standards in practice. We are concerned that a principles-based framework not lead to an increase in standards setting by the SEC. In our view, it is absolutely imperative that the transition to a principles-based approach does not effectively transfer some, or all, of the standard setting responsibility to the regulatory arena where such deliberations would not be subject to due process and involvement of all the relevant constituencies.

Cost

We believe that the long-term benefit of this approach for preparers will outweigh the transition cost. We think improved efficacy of our capital markets and financial reporting system are derived from a quality principle-based approach.

Furthermore, the more complicated the current standards become, the more resources are consumed interpreting, applying, or even circumventing the rules, all of which increase the cost of doing business without any additional economic value. In addition, the increasing complexity of our accounting standards combined with our litigious business environment could discourage foreign companies from raising capital and issuing securities in the U.S. capital markets.

Safe Harbor

In our increasingly litigious environment, increased diversity in accounting treatment resulting from differences in professional judgment (where broad-based accounting standards do not provide definitive and explicit guidance) could lead to an increase in litigation "after the fact." We believe the Board, together with the SEC and other appropriate regulatory agencies, should establish "safe harbor" provisions that protect companies, particularly SEC registrants, and management where a "good faith effort" has been made to apply the principles and available authoritative guidance has been followed.

In summary, we believe the transformation to a principles-based approach to standard setting cannot be made without the absolute commitment of all affected constituencies. The agreement and active support of the SEC will be particularly important. The transformation will require time and fundamental change in the attitudes and behavior of all participants in the financial reporting process. It will require preparers, auditors, audit committees, and boards to be willing to exercise professional judgment despite the risk this may present. This may require some form of "safe harbor" provisions for preparers. More importantly, it will require the SEC to moderate demands for bright line rules to facilitate their review and enforcement activities. If all constituents are fully committed to these changes, we think a principles-based approach to standard setting could improve the quality and transparency, and reduce the complexity, of U.S. financial reporting. Furthermore, this approach could improve the standard setting process by accelerating responsiveness to emerging issues, improving overall timeliness and developing standards which are more flexible and more readily adaptable to evolving market conditions.

We thank you for the opportunity to express our views in this letter. If you have any questions regarding our comments, please feel free to contact me at (310) 615-1686.

Sincerely,

Donald G. DeBuck Vice President and Controller Computer Sciences Corporation

Exhibit

Financial Accounting Standards Board Proposal: "Principles-Based Approach to U.S. Standard Setting"
Reference File No. 1125-001
Request for Comment

1. Do you support the Board's proposal for a principles-based approach to U.S. standard setting? Will that approach improve the quality and transparency of U.S. financial accounting and reporting?

We think a principles-based approach could, if properly implemented, enhance the quality and transparency of U.S. financial reporting primarily by returning the focus of attention to the economic substance of the underlying business activity and transactions, rather than their form. This approach would have the additional benefits of reducing the complexity of the standards and mitigating standards overload. Because this approach would require greater exercise of professional judgment by preparers and auditors it could also enhance professionalism in both the corporate reporting and auditing professions. Furthermore, we think this approach would reduce the opportunity for financial engineering of business transactions and increase the likelihood that transactions will be accounted for according to their economic substance rather than their form.

Additionally, a principles-based approach could yield benefits for the standard setting process. Standards based on broad principles would be more flexible and would more readily accommodate future developments in the marketplace. Such standards would also require less time to develop and, thus, could be more responsive to emerging issues. Furthermore, a principles-based approach could facilitate convergence between U.S. reporting standards and international standards promulgated by the International Accounting Standards Board ("IASB"). Convergence of international standards could streamline reporting requirements for global companies and, as a result, would improve effective operation of global capital markets.

2. Should the Board develop an overall reporting framework as in IAS 1 and, if so, should that framework include a true and fair view override?

We support the development of an overall reporting framework similar to the framework adopted by the IASB in International Accounting Standards No. 1, "Presentation of Financial Statements" ("IAS No. 1"). We think such a framework could facilitate consistency in financial statement presentation and resolve existing

reporting issues. We also think a "true and fair view override" is critical to a principle-based approach to standard setting. This would fundamentally require that the accounting treatment, in any given situation, reflect the economic substance of the underlying business activity and transactions.

3. Under what circumstances should interpretive and implementation guidance be provided under a principles-based approach to U.S. standard setting? Should the Board be the primary standard setter responsible for providing that guidance?

We think the Board, either directly or indirectly through the Emerging issues Task Force ("EITF") should be the primary standard setter responsible for issuance of interpretive and implementation guidance.

We are also concerned that broad-based principles could result in significant diversity in practice. For example, the major public accounting firms could recommend significantly different accounting treatment for transactions that are substantially identical based on differing interpretations of the same broad principles. As a result, comparability could suffer. Consequently, we think some degree of continued interpretive and implementation guidance will be necessary to avoid divergence in practice and minimize the opportunity for "opinion shopping." Circumstances requiring such guidance could be limited to situations where issues are likely to result in divergence in practice or unacceptable application of principles. For example, the International Financial Reporting Interpretations Committee of the IASB provides such guidance "on issues that are likely to receive divergent or unacceptable treatment in the absence of such guidance."

4. Will preparers, auditors, the SEC, investors, creditors, and other users of financial information be able to adjust to a principles-based approach to U.S. standard setting? If not, what needs to be done and by whom?

We believe the transformation to a principles-based approach to standard setting cannot be made without the absolute commitment of all affected constituencies. The agreement and active support of the SEC will be particularly important. The transformation will require time and fundamental change in the attitudes and behavior of all participants in the financial reporting process. It will require preparers, auditors, audit committees, and boards to be willing to exercise professional judgment despite the risk this may present. This may require some form of "safe harbor" provisions for preparers. More importantly, it will require the SEC to moderate demands for bright line rules to facilitate their review and enforcement activities.

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5. What are the benefits and costs (including transition costs) of adopting a principles-based approach to U.S. standard setting? How might those benefits and costs be quantified?

We are not in the position to precisely quantify the benefits and costs. However, we believe that the long-term benefit of this approach for preparers will outweigh the transition cost. We think improved efficacy of our capital markets and financial reporting system are derived from a quality principle-based approach.

As indicated in our response to question 1 above, we think a principles-based approach to standard setting could, if properly implemented, enhance the quality and transparency of U.S. financial reporting, reduce the complexity of reporting standards, mitigate standards and disclosure overload and reduce the incidence of financial engineering and gamesmanship. We also think it could reduce the recent stigma (resulting from egregious financial irregularities and abuses in the past year) and enhance the professionalism of the corporate reporting and auditing professions in the U.S. Additionally, a principles-based approach could yield benefits for the standard setting process. Standards based on broad principles would be more flexible and would more readily accommodate future developments in the marketplace. Such standards would also require less time to develop and, thus, could be more responsive to emerging issues. Furthermore, a principles-based approach could facilitate convergence between U.S. reporting standards and international standards promulgated by the International Accounting Standards Board ("IASB"). Convergence of international standards could streamline reporting requirements for global companies and, as a result, would improve effective operation of global capital markets.

Finally, the more complicated the current standards become, the more resources are consumed interpreting, applying, or even circumventing the rules, all of which increase the cost of doing business without any additional economic value. In addition, the increasing complexity of our accounting standards combined with our litigious business environment could discourage foreign companies from raising capital and issuing securities in the U.S. capital markets.

6. What other factors should the Board consider in assessing the extent to which it should adopt a principles-based approach to U.S. standard setting?

We agree with the Board and views expressed by Mr. Herz that a principles-based approach would require changes in the attitudes and behavior of all of the participants in the U.S. reporting process. This would not only include the standard setting bodies, but also the SEC, registrants, auditors, analyst community, stock exchanges and other regulatory authorities, as well as many others. We think the success of a principles-based approach would be dependent on the support and commitment of all these constituencies and would be critically dependent on the agreement and active support of the SEC.

A principles-based approach to standard setting will, without question, require the agreement and active support of the SEC. It is important for the SEC to accept the likelihood that a principles-based framework will result in somewhat increased diversity in the application of standards in practice. We are concerned that a principles-based framework not lead to an increase in standards setting by the SEC. In our view, it is absolutely imperative that the transition to a principles-based approach does not effectively transfer some, or all, of the standard setting responsibility to the regulatory arena where such deliberations would not be subject to due process and involvement of all the relevant constituencies.

We agree implementation of a principles-based approach to standard setting will require changes to the roles and composition of U.S. standard-setting bodies and related processes to control proliferation of standards and ensure alignment. We think the Board's decision to consolidate the activities of AcSEC and to take a more direct role in establishing the agenda of the Emerging Issues Task Force ("EITF"), as well as in its deliberations and ultimate pronouncements, will ensure alignment of these activities with both the standard setting process and resulting standards. We also agree with the Board's aggressive pursuit of convergence in international accounting and reporting standards and believe commitment to this objective is of great importance in today's global marketplace. Moreover, it is particularly important that the U.S. take a very prominent and active role in the creation of international standards in view of its position as the largest global capital market.

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