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Summary:

In light of the recent accounting and reporting scandals, Intel Corporation supports the FASB's efforts to help restore faith in our capital market by reconsidering the approach to standard setting in the U.S. While we support the Board's goal of improving the quality and transparency of U.S. financial accounting and reporting, we do not believe that the Proposal will accomplish that goal. In particular, it is our view that the Proposal's recommendation to eliminate the specificity contained in existing U.S. accounting standards would ultimately have the opposite effect. Rather, we would like to see the Board focus its efforts on improving the current standard setting model by, for example, making the FASB into the one single standard setter (including interpretation and implementation guidance) responsible for GAAP.

Our Responses to FASB's Specific Questions:

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

- Intel does not support the Proposal
- Eliminating exceptions in accounting standards, as proposed, would not reduce the need for specific rules and would harm FASB's deliberative and open process
 - Complexity of business transactions, a litigious environment and market pressures, not exceptions, drive the need for specific rules
- Reducing interpretive and implementation guidance would harm, not improve, the quality and transparency of financial accounting and reporting
 - Diversity in the application of standards would increase and comparability of financial statements would be impaired
 - Accounting and reporting abuses would increase
 - Market pressures and the temptation to succumb will always exist
 - The proposal would make it easier, for those that succumb to market pressures to manipulate their financial results.

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?

- An overall reporting framework that provides additional guidance on materiality assessments, professional judgment and accounting policies would be necessary if the Board chooses to pursue the Proposal
 - The notion that guidance on professional judgment is necessary is a strong indicator that the proposed approach would not be successful

- A “true and fair view” override would undermine the existing accounting standards
 - It would introduce even more undesired subjectivity
 - There would inevitably be attempts (by the plaintiff’s bar, corporations and the SEC) to inappropriately use the override to ones own advantage

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?

- The need for interpretive and implementation guidance would not be reduced by the Proposal.
 - The circumstances that currently give rise to the need for interpretive guidance would still exist
 - We encourage the Board to retain and improve upon the current approach utilized by the Emerging Issues Task Force (EITF) to identify and address interpretive issues
- The FASB or a body under the control of the FASB should be the single standard setter that has sole responsibility for setting accounting standards and any related interpretive and implementation 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?

- The factors that gave rise to the current accounting standard setting approach (the complexity of business transactions, a litigious environment & market pressures) will not change.
 - Therefore, participants in the accounting and reporting process will not be able to adjust to a principles based approach
- We encourage the Board to focus its efforts on making improvements within the current standard setting approach

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

- Benefits
 - Would appear on the surface to reduce volume and quantity of accounting guidance making it easier to stay current and apply
 - We’re skeptical that benefit would actually be realized
 - Making FASB the single standard setter responsible for all things GAAP would do more to improve the ability to stay current and ease of application
- Costs
 - Diversity in practice would increase and financial statement comparability and usefulness would suffer
 - Legal costs would likely significantly increase with increased opportunity for plaintiff second guessing leaving more for the courts to decide

- Lack of specific guidance and the need for additional professional judgment would make financial reporting more difficult and costly for those who have been doing it right all along:
 - Increased differences of opinion between employees within the same company, their auditors and with the SEC; would make compliance more difficult and time consuming
- The need for specific rules would still exist.
 - If the Board eliminates the specific rules, they will return over time. If the FASB elects not to provide the specific rules, then the need will be filled by other sources like the SEC via regulation or potentially through the courts via litigation
- Any radical change is expensive and would have unintended consequences

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?

- If principles-based accounting standards were to occur, how would the board deal with existing standards?
 - Change existing standards?
 - Implement the Proposal prospectively; thereby creating inconsistencies within US standards?