

January 31, 2011

Financial Accounting Standards Board Attn: Technical Director—File Reference No. 1890-100 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116 Via e-mail to director@fasb.org

Re: File Reference No. 1890-100 Discussion Paper, Effective Dates and Transition Methods

Dear Technical Director, Board Members and Staff:

The Accounting and Auditing Committee of The Ohio Society of Certified Public Accountants is pleased to comment on the Discussion Paper, *Effective Dates and Transition Methods*.

We appreciate the Board's consideration of the challenges of different stakeholders with the transition to multiple new accounting standards. As we work toward the objective of one set of high quality global accounting standards, providing sufficient time for the various stakeholders to prepare for and absorb the significant number of changes proposed will be necessary to effectively implement the standards and provide high quality financial reporting.

Question 1:

Please describe the entity (or the individual) responding to this Discussion Paper.

The Ohio Society of Certified Public Accountants is a professional association representing nearly 23,000 members. Members include internal users and preparers from entities of all sizes, external auditors and preparers from firms of all sizes, CPAs in government, education, and external users, including financial institutions. The OSCPA Accounting and Auditing Committee is representative of this member population, and includes CPAs in senior roles in accounting, auditing and financial reporting in industry (both public and private,) public practice, education and financial institutions.

Ouestion 2:

Focusing only on those proposals that have been published as Exposure Drafts (accounting for financial instruments, other comprehensive income, revenue recognition, and leases):

(a) How much time will you need to learn about each proposal, appropriately train personnel, plan for, and implement or otherwise adapt to each of the new standards?

The committee estimates a minimum of 3-4 years. Some factors in arriving at that estimate include:

- Each of these issues is pervasive, rather than specialized; i.e. all members of the department or firm will need to be trained on them, rather than a few individuals.
- Many of the exposure drafts are still potentially subject to material changes depending upon the response to the exposure draft comments, so preparation cannot begin prior to issuance of the final standard.
- Dedication of staff time will be significant, and in the current economy, businesses will not be staffing up to address the transition.

The committee recommends that in the best interest of quality financial reporting, longer, rather than the minimal possible implementation periods be provided where possible to achieve effective application.

(b) What are the types of costs you expect to incur in planning for and adapting to the new requirements and what are the primary drivers of those costs? What is the relative significance of each cost component?

Dedicated personnel will be needed to implement each of these standards. Multiple of the proposals require extensive use of estimates and judgments, requiring personnel, time, training, and likely the use of outside consultation, particularly in valuing level 2 and level 3 investments. Auditing standards will likely need to be changed to address changes, and audit fees will increase. The committee estimates that the personnel costs will be the most significant, due to training, information technology systems realignment, and reallocation of accounting and computer operations resources.

Potential for error and fraud will increase, due to the time and effort put into adopting new standards taking away focus from the core business, increasing the risk of financial statement errors. A reasonable pace of transition will assist in reducing this risk.

Question 3:

Do you foresee other effects on the broader financial reporting system arising from these new standards? For example, will the new financial reporting requirements

conflict with other regulator or tax reporting requirements? Will they give rise to a need for changes in auditing standards?

The effect of the leases standard, in particular, is likely to affect bank covenants. Auditing standards will need to change, particularly to address risks in auditing management's estimates and judgments.

Question 4

In the context of a broad implementation plan covering all the new requirements, do you agree with the transition method as proposed for each project? If not, what changes would you recommend and why? In particular, please explain the primary advantages of your recommended changes and their effect on the cost of adapting to the new reporting requirements.

All of the standards proposed to be implemented on a retrospective basis were concerning to the committee. While the group understands the desire for comparability, they believed that the benefits of retrospective application come at too high a cost. Members identified several situations that would present complications in obtaining sufficient information to go back to restate prior periods, and projected that there will be many scope limitations in implementing these standards due to the inability to obtain such information. The committee recommends that the board consider a materiality threshold and the ability to "scope out" certain items due to undue costs.

Question 5:

In thinking about an overall implementation plan covering all of the standards that are the subject of this Discussion Paper:

(a) Do you prefer the single date approach or the sequential approach?

The sequential approach is strongly preferred, due to the personnel requirements for implementing each standard – many organizations will be affected by all of these proposals and cannot afford to staff up for the implementation. The sequential approach will allow for appropriate resource allocation and improve the quality of implementation. The sequential approach also allows for education of users, let alone preparers and auditors.

The committee believes that the single date approach would be too great a level of change to effectively absorb, increasing the risk of financial misstatement. The most significant advantage to the sequential approach is reducing the risk of financial statement errors. Disadvantages of the sequential approach include extending the pain of transition and having several periods in which there will be a lack of comparability.

(b) Under a single date approach, what should the mandatory effective date be and why?

A minimum of 4 years after final standards are issued.

(c) Under the sequential approach, how should the new standards be sequenced (or grouped) and what should the mandatory effective dates for each group be?

Constituent priorities differed in response to this question, depending on how great the impact was of each standard. In the absence of dependencies identified by the Board, the committee recommends releasing the least complex standards first and the most complex last, to provide for the opportunity to issue guidance.

(d) Do you think another approach would be viable and preferable? If so, please describe that approach and its advantages.

No other preferred approach was identified.

Question 6:

Should the board give companies the option of adopting some or all of the new standards before their mandatory effective date? Why or why not? Which ones? What restrictions, if any, should there be on early adoption (for example, are there related requirements that should be adopted at the same time)?

Committee members favored permitting early adoption for all standards, with the disadvantages being comparability within industries, and requiring earlier preparedness on the part of auditors.

Question 7:

For which standards, if any, should the Board provide particular types of entities a delayed effective date? How long should such a delay be and to which entities should it apply? What would be the primary advantages and disadvantages of the delay to each class of stakeholders (financial statement preparers, financial statement users, and auditors)? Should companies eligible for a delayed effective date have the option of adopting the requirements as of an earlier date?

The majority opinion of the committee was that all organizations should have the same effective dates. While smaller entities may have fewer resources, larger entities will be addressing more complex implementation issues. This approach will aid in public education.

Question 8:

Should the FASB and IASB require the same effective dates and transition methods for their comparable standards? Why or why not?

As the two sets of standards converge, having the same effective dates and transition methods for FASB and IASB standards would be less costly (in both time and resources) for multinational entities to implement accounting changes.

Ouestion 9:

How does the Foundation's ongoing evaluation of standards setting for private companies affect your views on the questions raised in this Discussion Paper?

Committee members would like to see the private company standards setting process implemented before final standards are released so the new Board can be in place to identify differences for private entities.

Thank you for the opportunity to comment on the effective dates and transition methods for upcoming standards. We welcome any additional opportunities to further discuss or otherwise support the efforts of the Financial Accounting Standards Board in this area.

Respectfully,

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