Matthew E. Rupert

2106 N Boyd Ave Peoria, IL 61604 mrupert@mail.bradley.edu



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Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Exposure Draft: Proposed Statement of Financial Accounting Standards, The Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162 (File Reference No. 1690-100)

Dear Mr. Director:

I appreciate the opportunity to comment on the exposure draft for the replacement of FASB Statement No. 162, The Hierarchy of Generally Accepted Accounting Principles. I am enthusiastic and supportive of the Board's efforts to create a single source for U.S. accounting and reporting standards. As a user of the Financial Accounting Research System (FARS) and now the preliminary use of the Codification I sincerely believe this project will simplify user access to GAAP. Although I recognize the benefit the Codification will bring, I do not agree with the elimination of the categories, (a)-(d), that are present in FASB Statement No. 162. Below I will address the questions posed by the Board in the exposure draft was well as individual comments.

• AICPA TIS Section 5100, paragraphs 38–76, would be applied prospectively for revenue arrangements entered into or materially modified in annual periods beginning on or after December 15, 2009, and interim periods within those years. Do constituents agree with the transition provisions for nonpublic entities that had not previously applied this guidance? Please explain your answer.

Yes, I agree that this requirement is appropriate.

• Do constituents agree with the Board's conclusion that this proposed Statement would not change GAAP except as described in Question 1? If not, please provide specific examples of the changes caused by this proposed Statement.

Yes, I agree with the Board's conclusion.

• Do constituents agree with the July 1, 2009, effective date for this proposed Statement? If not, please provide a detailed explanation of the reason(s) for extending the implementation period.

Although I will comment below on the establishment of two levels of GAAP: authoritative and nonauthoritative, if the Board follows through with the proposed change I believe the July 1, 2009 effective status would be appropriate to coincide with the expected launch of the Codification.

Other Comments

By creating one large group of authoritative GAAP, without distinguishing the level of influence the various standards and practices have over one another, it seems financial statement issuers would be able to choose among the various authoritative measures to best suite their needs. This would potentially allow individuals and businesses dealing with the same accounting issue the ability to apply two different authoritative approaches since there is no categorization within the authoritative sources of GAAP. With the current hierarchy users are able to chose the appropriate practice to follow if two standards conflict by identifying the source which is in the higher category (a) through (d). With the proposed modification of the GAAP hierarchy and the chance for multiple applications for a single accounting issue, the comparability of financial statements could potentially be diminished.

Another concern involving the reduction of the GAAP hierarchy into authoritative and nonauthoritative sections is the accountant's or issuer's defense for the specific standard or approach chosen for use in the financials. If there are no levels within the authoritative section an accountant, business entity or other issuer will have no basis upon which to defend there position for choosing a particular practice. Also, if said accountant or entity is questioned for the reasons in deciding on a particular authoritative GAAP approach, he/she could simply justify their position since all standards in the Codification are one level of authority. I strongly suggest establishing a hierarchy within the authoritative sources of GAAP to address these concerns or keep the current categorization [(a)-(d)] in FAS Statement 162.

I believe use of the language 'authoritative' and 'nonauthoritative' within the proposed statement could lead to the disregard or lack of emphasis of other accounting literature within the nonauthoritative section. Use of such a strong word, nonauthoritative, could discourage users from exploring and evaluating the usefulness of the sources that would be within that category. As is known from FAS Statement 162, nonauthoritative accounting sources and guidance include practices widely recognized in the industry, AICPA Issue Papers, FASB Concept Statements and others. From my own experience use of the FASB Concept Statements has been very important since it lays the foundation for the principles and ideas used in formulating accounting standards. The framework establishes a common set of terminology for evaluating accounting issues and also provides the hierarchy of information usefulness. It would be unfortunate if users quickly disregarded these other sources of guidance, especially the conceptual framework. I

suggest using another title to replace the word nonauthoritative in order to prevent users from encountering this problem. The title 'Supplemental guidance' with a disclaimer stating authoritative sources of GAAP should be applied before supplemental guidance would be sufficient to address this concern.

The Board should address whether access to the Codification should be free use for public users or whether there will be an access charge. I suggest notifying the public prior to the Codification release to allow users adequate time to make changes and arrangements necessary in preparation for use once the Codification is launched. I support free use of the Codification project.

Sincerely,

Matthew E. Rupert, Masters Student Bradley University