May 17, 2010

Robert Herz, Chairman
Financial Accounting Standards Board
Board401 Merritt 7
P.O. Box 4166
Norwalk, CT 06856-5116

Sir David Tweedie, Chairman
International Accounting Standards
30 Cannon Street
London EC 4M 6XH
United Kingdom

Re: Timeline of Upcoming Accounting Standards

Dear Mr. Herz and Sir Tweedie:

The Financial Reporting Committee ("FRC") of the Institute of Management Accountants ("IMA") is writing to share its concerns regarding the wave of proposed accounting standards expected to be issued in the coming months.

FRC is the financial reporting technical committee of the IMA. The committee includes preparers of financial statements for some of the largest companies in the world, representatives from the world's largest accounting firms, valuation experts, accounting consultants, academics and analysts. The FRC reviews and responds to research studies, statements, pronouncements, pending legislation, proposals and other documents issued by domestic and international agencies and organizations.

We believe that the volume and complexity of the subject material at issue, coupled with so many documents competing for our attention, will effectively preclude a thorough review and analysis by many of those commenting on the proposed standards. We also are concerned that the Boards might not be able to address all the relevant issues raised in responses to the exposure documents because of the short time frame within which these exposure documents are to be finalized and the finite amount of Board review time available to address the comments. Further, there are numerous interdependencies between many of the projects. Given this and the inherent complexities of the topics, the comment letter evaluation process and subsequent re-deliberations will be an iterative process. Absent a more generous time frame, we are very concerned that this will result in a sub-optimal analysis of the full effects of the series of projects, leading to numerous unforeseen implementation issues and the resultant series of amendments to the final documents.

Further, depending on the final conclusions reached on the underlying project accounting models, combined with the decisions regarding effective dates and transition for adoption of these standards, there may well be significant issues relative to the availability of sufficient accounting and systems/technical resources required to deal with the practice issues that can be expected to arise upon adoption. This may also lead to errors in financial information and/or the need for amendments to the newly issued standards. We understand the Boards are planning to solicit comments relative to the timing and sequencing of adoption for the various projects. We would strongly encourage the Boards to only solicit this feedback after they have reached agreement on the final standards themselves. It will be very difficult for preparers to adequately address and comment on the resourcing considerations prior to having a complete understanding of the standards themselves.

Upon reviewing the Boards' work plans for technical projects, we can see that there are combined close to two dozen exposure documents that are scheduled to be released in the next two fiscal quarters. Recognizing that several of these exposure drafts address similar topics[1] and many are being prepared pursuant to the Memorandum of Understanding ("MOU"), they nevertheless deal with complex accounting areas with a broad impact on accounting and financial reporting (these include revenue recognition, leasing, financial instruments, fair value measurements, consolidation, discontinued operations and financial statement presentation). We expect that the exposure documents, like the topics themselves, will be long, complicated and time consuming to review. In addition, many of these proposed standards seek to fundamentally change the way transactions are accounted for or presented in financial statements. For example, the joint project on revenue recognition, which will require new ways of allocating arrangement consideration to separate performance obligations inherent in a contract and will premise the recognition of revenue

[1] While addressing similar topics, the documents are being deliberated by different Boards and possibly will contain certain different proposed requirements, such as the differences in the Boards' tentative conclusions on whether to measure certain financial instruments at fair value or amortized cost.

on the fulfillment of those performance obligations, or the lease accounting project, which will require companies to record all lease obligations as liabilities. Some of these standards will undoubtedly require systems changes in relatively short periods in order to appropriately capture and report affected transactions (e.g., leases, revenue recognition, financial statement presentation), while others might be such that neither a company's current systems nor its internal information gathering processes are capable of capturing the required information (which we understand is the case for most companies when considering a direct cash flow statement). We also foresee significant challenges in educating internal staff and external constituents (e.g., analysts, investors) on the changes in a timely manner. Because of the unprecedented number of projects being undertaken and the complexity in the subject matter involved, we are concerned that under the Boards' current work plan and timeline, companies will not have sufficient time to evaluate, comment on and ultimately adopt these new standards in a manner that allows for such standards to be of high quality when issued and then implemented in a well controlled process.

We recognize that the Boards have always sought to undertake the issuance of new standards in a manner consistent with their established due process. However, with the volume and significance of the projects in the work plan as significant as they are, especially those in the MOU, we believe that enhanced measures of due process must take place to allow companies to comprehend and integrate the proposed changes to the accounting rules. Just the sheer number of exposure documents being released in the next few months will require weeks of evaluation by accounting professionals. The process of assimilating the information to comment intelligently on the proposed rules will also be measured in weeks. Furthermore, because of the interrelated nature of some of these subjects, it will be difficult to comment on some of the proposals without also reviewing other proposals that have yet to be issued. For example, the financial statement presentation project intends to prescribe the information that companies should be reporting in their financial filings; however, the accounting treatment for many of the elements is being changed via the issuance of other new standards projects. The issues raised by having so many documents to review and the difficulties that they will present will be an issue for even for the largest of multi-national companies and accounting firms who generally have greater resources with which to evaluate the changes. Smaller companies face an even more daunting task in dealing with this large number of new rules. An enhanced measure of due process will also mitigate the risk of a perceived "rush to judgment" that could precipitate a need to subsequently amend the accounting rules shortly after their issuance (as was the case with the FASB's rules on Variable Interest Entities).

We support the objective of the FASB and IASB working towards convergence and improving financial reporting; however, we do not believe improved financial reporting will result from a forced timetable. Sufficient due process is necessary to give all interested parties (preparers, auditors, users) an opportunity to present to the Boards pertinent information relating to the matter in question and to challenge the Boards' preliminary thinking. This open process leads to better standards and also contributes to the Boards' credibility in the business community. Thus, efforts to achieve earlier solutions to new accounting challenges should not come at the expense of significantly shortcutting due process. If convergence of accounting standards needs to be delayed to ensure that a meaningful due process has taken place, then that step should be taken to protect all stakeholders from the inevitable consequences that would otherwise result from a hurried effort.

At a minimum, we would suggest that the Boards work to group together the issuance of ED's that contain interdependencies. This would facilitate a more efficient and thorough analysis of the projects by interested parties. We also ask that the Boards allow extra time for comment. This will be needed not only due to the sheer number of ED's that will be issued, but also the underlying complexities. Finally, we would strongly suggest that the Boards delay the project on financial statement presentation. Because many of the other MOU projects have significant financial reporting impacts, we believe it will be difficult to fully comprehend the implications of this project until after the remaining body of the MOU projects is complete.

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We would be pleased to volunteer to meet with you (or any relevant working groups) at your convenience to discuss our thoughts on prioritizing the projects and helping to establish the timetable for their review. I can be reached at 00 1 (513) 983-6666.

Sincerely,

Mick Homan
Chair, Financial Reporting Committee
Institute of Management Accountants

cc: James Kroeker, Chief Accountant
Securities and Exchange Commission