Sent: Tue 10/03/2009 03:50
To: sfierstein@markspaneth.com
Subject: Society's comment letter to the SEC

Dear Ms. Fierstein,

I have read the Society's comment letter dated March 5, 2009 to the SEC, for which as President you wrote the cover letter, concerning the SEC's roadmap for the adoption of IFRS. Regardless of whether I agree or disagree with the recommendations in the comment letter, I am writing to take issue with one of the arguments made therein.

On page 2, it is stated: "One area of concern is the influence of various national regulators, users, and others who promote the interests of their specific constituencies, as opposed to the needs of the worldwide community." The example given was the pressure from the European Commission last October that verily forced the IASB, without due process, to amend IAS 39 and IFRS 7, backdated to July 1, 2008.

One can easily agree that the setting of accounting standards should not be influenced by the narrow self-interests of "specific constituencies." But who has ever argued that, since the launch of U.S. standard setting in 1939, the setting of U.S. accounting standards has not been frequently influenced by such self-interests and politics? Who are we to avow that U.S. accounting standards have all been precisely as the standard setters (currently the FASB) preferred them to be, free of political interference? Let me give you some examples.

From 1962 to 1973, the U.S. Department of the Treasury, in the mistaken belief that this would promote its fiscal policy, on three occasions prevented the Accounting Principles Board from issuing its preferred standard on accounting for the investment tax credit. Between 1968 and 1970, industry built up a large lobbying campaign which was so powerful that it prevented the APB from getting rid of "pooling of interests" accounting. In 1971, the oil and gas industry, the leasing industry, and the mutual property and casualty insurance industry all successfully pressured the APB not to proceed with improved standards affecting their three industries. In the 1970s, the banking industry prevented the FASB from issuing its preferred standard to account for the restructuring of troubled debt. The resulting FAS 15 was perhaps the worst standard ever issued by the FASB, and it played a role in exacerbating the savings and loan crisis in the 1980s. In 1978-80, various vested interests, including the Departments of Energy and Justice as well as a powerful sector of the oil and gas industry, effectively conspired to prevent the FASB's standard on accounting for oil and gas exploration from going into effect. In 1990-92, the banking industry forced the FASB to partition marketable securities for accounting purposes into "trading" and "available for sale" in order to enable banks to avoid having to report unrealized gains and losses in their financial statements every year. In 1992-95, the high tech industry mobilized Congress into preventing the FASB from issuing its preferred standard on accounting for stock options. In 1997, industry forced the FASB to allow the reporting of comprehensive income in the statement of changes of shareholders' equity instead of in performance statements, such as the income statement.

In 2000-01, industry mobilized Congress to force the FASB to withdraw its exposure draft that required the mandatory amortization of goodwill over a period of no more than 20 years. These U.S. examples dwarf in number the few such experiences already endured by the IASB. And the IASB sets accounting standards for more than 100 countries, not, as in the case of the FASB, for only one country.

All of these examples, plus others, were discussed in my article entitled "The Evolution of U.S. GAAP: The Political Forces Behind Professional Standards," which appeared in the January and February 2005 issues of your Society's journal, The CPA Journal.

Why, then, should the Society raise a "concern" about one or two instances so far of political interference in the IASB's standard setting?

I send kind regards.

Stephen Zeff.