

*new york state society of*

**NYSSCPA**

*certified public accountants*

530 fifth avenue, new york, ny 10036-5101  
www.nysscpa.org

April 9, 2004

Ms. Suzanne Q. Bielstein  
Director of Major Projects and Technical Activities  
Financial Accounting Standards Board  
401 Merritt 7, PO Box 5116  
Norwalk, CT 06856-5116

By email: [director@fasb.org](mailto:director@fasb.org)

Re: File Reference 1200-400

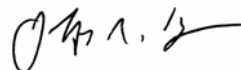
Exposure Draft: Proposed Statement of Financial Accounting Standards, *Accounting Changes and Error Corrections – a replacement of APB Opinion No. 20 and FASB Statement No. 3*

Dear Ms. Bielstein:

The New York State Society of Certified Public Accountants, the oldest state accounting association, represents approximately 30,000 CPAs that will implement the provisions proposed in the captioned exposure draft. NYSSCPA thanks FASB for the opportunity to comment on its exposure draft.

The NYSSCPA Financial Accounting Standards Committee deliberated the exposure draft and prepared the attached comments with the consultation of the International Accounting and Auditing Committee. If you would like additional discussion with the committee, please contact Robert A. Dyson, chair of the Financial Accounting Standards Committee, at (212) 842-7565, or Robert Colson, NYSSCPA staff, at (212) 719-8350.

Sincerely,



Jeffrey R. Hoops  
President

Attachment

*new york state society of*

**NYSSCPA**

*certified public accountants*

530 fifth avenue, new york, ny 10036-5101  
www.nysscpa.org

**NEW YORK STATE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS**

**COMMENTS ON FASB EXPOSURE DRAFT**

**Proposed Statement of Financial Accounting Standards, *Accounting Changes and Error Corrections* – a replacement of APB Opinion No. 20 and FASB Statement No. 3**

**File Reference No. 1200-400**

**April 9, 2004**

**Principal Drafter**

**Patricia A. Crecco  
Robert N. Waxman**

**NYSSCPA 2003- 2004 Board of Directors**

Jeffrey R. Hoops, <i>President</i>	William Aiken	Neville Grud
John J. Kearney, <i>President-elect</i>	Spencer L. Barback	David W. Henion
Thomas E. Riley, <i>Secretary</i>	Michael G. Baritot	Raymond P. Jones
Arthur Bloom, <i>Treasurer</i>	Rosemarie A. Barnickel	Nancy A. Kirby
Sandra A. Napoleon-Hudson, <i>Vice President</i>	Peter L. Berlant	David J. Moynihan
Steven Rubin, <i>Vice President</i>	Andrew Cohen	Kevin J. O'Connor
Vincent J. Love, <i>Vice President</i>	Ann B. Cohen	Robert S. Peare
Raymond M. Nowicki, <i>Vice President</i>	Michelle A. Cohen	Richard E. Piluso
Louis Grumet, <i>ex officio</i>	Walter Daszkowski	Mark A. Plostock
	Michael J. DePietro	Joseph J. Schlegel
	Katharine K. Doran	Robert E. Sohr
	Barbara S. Dwyer	Robert A. Sypolt
	Robert L. Ecker	Robert N. Waxman
	Mark Ellis	Howard D. Weiner
	David Evangelista	Philip G. Westcott
	Peter H. Frank	Philip Wolitzer
	Jo Ann Golden	

**NYSSCPA 2003 - 2004 Financial Accounting Standards Committee**

Robert A. Dyson, Chair	Edward P. Ichart	Steven Rubin
Kyung S. Choi	Linda Lam	Sherif Saeed
Patricia A. Crecco	Joseph E. Manfre	Joseph F. Schick
Vincent Allocca	John J. McEnerney	Lewis Shayne
J. Roger Donohue	Stephan R. Mueller	Leonard J. Weinstock
Roseanne T. Farley	Mark Mycio	Barry Wexler
Robert Fener	Raymond A. Norton	Eddie C. Wong
Hashim Ghadiali	John J. O'Leary	Margaret A. Wood
Fred R. Goldstein	Michael P. Reilly	Jay B. Zellin
Abraham E. Haspel		

**NYSSCPA 2003 - 2004 International Accounting and Auditing Committee**

Robert N. Waxman, Chairman	Wijeyanand Pathmanathan
Srijit Banerjee	Lewis Shayne
Renee D. Bomchill	William M. Stocker III
Fredereick D. S. Choi	Elizabeth K. Venuti
Lee Chedmond	George I. Victor
Patrick Edgar	Leonard Weinstock
James Keating	

**NYSSCPA 2003 - 2004 Accounting & Auditing Oversight Committee**

Robert E. Sohr, Chair  
Gary E. Carpenter  
Robert A. Dyson  
David J. Hasso  
Michele M. Levine  
Thomas O. Linder

Eugene D. Mahaney  
Robert S. Manzella  
Eric J. Rogers  
Steven Rubin  
Ira M. Talbi

George I. Victor  
Paul D. Warner  
Robert N. Waxman  
Paul J. Wendell  
Margaret A. Wood

**NYSSCPA Staff**

Robert H. Colson

## COMMENTS ON FASB EXPOSURE DRAFT

### **Proposed Statement of Financial Accounting Standards, *Accounting Changes and Error Corrections* – a replacement of APB Opinion No. 20 and FASB Statement No. 3**

#### **File Reference No. 1200-400**

#### **General Comments**

The Board's efforts to improve U.S. generally accepted accounting principles and to converge them with international accounting standards are important goals. Overall, the proposed Exposure Draft (ED) accomplishes the goal of converging U.S. GAAP and the IASB's accounting standards regarding accounting changes and error corrections.

#### **Specific Comments**

##### **Discussion Item 1 – Retrospective application for changes in accounting principle**

The proposed treatment to report a change in accounting principle by retrospective application (unless it is impracticable to do so) is an improvement. Retrospective application and restating the comparative financial information presented for prior periods provides a more transparent presentation of current year operations as the period of change would not include the effects of changes relating to prior periods, which currently is the case. In addition, all periods presented would be comparable allowing for more useful trend analysis of financial information.

##### **Discussion Item 2 – Impracticability to apply the effects of a change in accounting principle retrospectively**

It is appropriate to have an alternative to not retrospectively apply a change if it requires assumptions about management's intent in a prior period or if it requires significant estimates as of a prior period such that the process becomes extremely subjective. For example, if an entity has emerged from bankruptcy with a new management team in place, it will be unlikely that prior management's intent will be available or applicable.

The ED should be revised to cover specific guidance and examples about those situations that would render the retrospective application impracticable. Because many entities will measure the ability to reasonably apply the retrospective application in terms of cost and effort, the additional guidance should be focused on these considerations.

In order to avoid abuse, entities should be required to disclose why it is impracticable to apply retrospective application and what specific information was unavailable in order to reach such a conclusion.

### **Discussion Item 3 – Disclosure of financial statement restatements**

Transparency will be enhanced by requiring an entity to disclose the effect of the correction on each line item of the financial statements including per-share amounts affected by the current period and all prior periods presented. In addition, the required disclosure should include a qualitative description of the reason for the correction of an error.

### **Discussion Item 4 – Change in depreciation method accounted for as a change in accounting estimate**

The ED's proposal to account for a change in depreciation method as a change in accounting estimate rather than a change in accounting principle (as long as management is able to support that the change in depreciation method is preferable) is not objectionable. The definition of a change in accounting principle, however, is "a change in an accounting principle or practice, or the methods of applying them..." Based on that definition, it is unclear why a change in depreciation and amortization methods, which were considered a change in accounting principle under APB 20, would be reclassified as a change in accounting estimate without some explanation. The conceptual rationale for the reclassification should become part of the final statement.

### **Discussion Item 5 – Materiality guidance**

Paragraph 38 of APB 20 has not been carried forward to the current ED. The provisions on materiality are extremely helpful in practice. Accordingly, the final standard should carry forward APB 20 paragraph 38's guidance on materiality.

### **Discussion Item 6 – Historical summaries**

APB 20, paragraph 39 guidance should also be brought into the final standard.

### **Discussion Item 7 - Illustrative examples**

It would be helpful to provide illustrative examples of the application of the ED and to address the discussion items noted above.

### **Discussion Item 8 – Effect on current literature**

The Board should consider the impact that retroactive application for voluntary changes in accounting principles, as required by the ED, will have on current SEC and EITF guidance, which is typically prospective.

#### **Discussion Item 9 – GAAP hierarchy**

The final standard should clarify the position of Concept Statements and FSPs in the GAAP hierarchy. Concept Statements are not included in categories a-d of the GAAP hierarchy. In addition, because of their recent introduction, FSPs have not been categorized in the GAAP hierarchy.

#### **Discussion Item 10 – Reference to APB Opinion 20**

The following paragraphs of the ED references to APB 20: 12, 13, 16, 18, 20, 21, 25, and 26. The number of references and incorporations of APB 20 material and we have suggested more in our comments above, raises the question whether this ED is an amendment of APB 20 rather than a replacement.