Consumer Federation of America

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Statement of CFA Director of Investor Protection Barbara Roper in Response to SEC Roadmap to Move to International Accounting Standards

The SEC's proposed "road map" to move from U.S. to international accounting standards promises a long detour through accounting chaos on its way to eventual uniformity. Given the lack of clarity in international standards and the lack of uniformity in their application, that promised uniformity may prove to be more mirage than reality.

The following are just a few of the problems with this plan:

- Although progress has been made, serious problems remain with aspects of international reporting standards, including in such key areas as business combinations, revenue recognition, and accounting for illiquid investments. Permitting U.S. companies to file using IFRS before these and other short-comings in the standards are addressed will undermine the quality of financial reporting.

- Allowing companies a choice between filing using U.S. GAAP or IFRS, which produce very different results, will undermine uniformity and comparability of financial reporting. The SEC plan anticipates a six-year period in which companies of various sizes will be filing financial statements using these two very different standards and investors will bear the burden of sorting out the differences.

- Even once the move to IFRS is complete, the lack of clarity in its principles-based approach and the lack of uniformity in how it is applied from nation-to-nation and from company-to-company means the promised uniformity may never materialize.

- The proposed plan does not appear to be legal under the Sarbanes-Oxley Act, which clearly specifies the standards that an accounting standard-setting body must meet to be recognized to set accounting standards for U.S. public companies. The IASB and its governing foundation do not meet those standards. The steps that are currently being taken to move toward more independent funding and better regulatory oversight, while they represent progress, do not resolve this issue.

- Since the passage of the Sarbanes-Oxley Act, U.S. public companies have complained incessantly about the costs imposed by that act. But the costs of complying with SOX pale in comparison to the potential costs of developing IFRS expertise in our regulators, public companies, accounting firms of all sizes, and the colleges and universities that educate our accountants. It is difficult to estimate the total costs, since the SEC has not conducted a cost-benefit analysis, but they are likely to be enormous. Clearly, the proposed staged implementation of the road map is designed with those implementation costs and burdens in mind. But it offers an unacceptable trade-off, in which investors are being asked to accept a long period of accounting chaos in order to minimize the burden on public companies. That's not cost saving, that's cost shifting.

In its rush to push through its ideologically driven international agenda before the end of this administration, the SEC is once again floating a proposal that ignores the interests U.S. investors. It is essential that Congress intervenes to prevent the agency from tying the hands of the next administration on policy issues that will affect investors, public companies, and market efficiency for years and decades to come.

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Consumer Federation of America (CFA) is a non-profit association of approximately 300 national, state, and local consumer groups. CFA was founded in 1968 to advance the consumer's interest through advocacy and education.