



October 18, 2010

Ms. Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F. Street, NE
Washington DC 20549-1090

RE: File Number 4-608, Notice of Solicitation of Public Comment on Consideration of Incorporating IFRS into the Financial Reporting System for U.S. Issuers

Dear Ms. Murphy:

Thank you for providing the Aerospace Industries Association ("AIA") and our individual members the opportunity to share their views on the U.S. Securities and Exchange Commission's (the "Commission") request for comment on incorporating International Financial and Reporting Standards ("IFRS") into the financial reporting system for U.S. issuers (the "Request for Comment"). AIA is the premier aerospace industry trade association representing the nation's major manufacturers of commercial, military and business products such as aircraft, helicopters, aircraft engines, missiles, spacecraft, and related components and equipment. AIA represents almost 300 manufacturing companies with over two million employees and contributes to \$57 billion of our nation's trade surplus. Many of our industry's companies are major suppliers to the U.S. Government.

We commend the Commission for its ongoing commitment to a strong, transparent, and robust financial reporting system for U.S. capital markets. AIA shares this commitment and appreciates the Commission's effort to solidify its understanding of the potential impact incorporating IFRS into the reporting system for U.S. issuers will have on U.S. issuers and investors. We also commend the Financial Accounting Standards Board ("FASB") and the International Accounting Standards Board ("IASB") for their noteworthy efforts to improve financial reporting standards world-wide and narrow the differences between generally accepted accounting principles in the United States of America ("U.S. GAAP") and IFRS.

Overall, we agree that a single, high-quality set of accounting standards applied effectively and efficiently across all jurisdictions would intuitively have benefits for the global capital markets and to U.S. investors. However, we would only support a transition to IFRS if the benefits of conversion outweigh the costs. We currently have concerns that, in total, the costs associated with a conversion to IFRS would outweigh the benefits to shareholders and U.S. investors. We discuss these concerns below in the context of the questions raised in the Request for Comment. We also believe that convergence is a better alternative than conversion to IFRS.

Contractual Arrangements

U.S. Government contractors are subject to cost accounting regulations such as the Cost Accounting Standards ("CAS") and the Federal Acquisition Regulations ("FAR"), which

provide specific rules regarding the measurement, accounting period assignment and allocation of contract costs. Certain provisions of CAS and FAR include specific reference to U.S. GAAP. For example, FAR 31.205-6(o)(2)(iii)(A) references Statement of Financial Accounting Standards (SFAS) No. 106, *Employers' Accounting for Post Retirement Benefits Other Than Pensions*, and FAR 31.205-36(a) references SFAS No. 13, *Accounting for Leases*. These and other references to U.S. GAAP would need to be revised in CAS and FAR. However, because not all U.S. companies would be required to adopt IFRS, reference to U.S. GAAP cannot simply be replaced with references to IFRS. Consequently, it is unclear how the Office of Federal Procurement Policy and the Procurement Executives in Department of Defense ("DOD"), U.S. General Services Administration ("GSA") and National Aeronautics and Space Administration ("NASA") would revise the rules to achieve consistency for cost accounting. Therefore, the adoption of IFRS and the inherent differences between IFRS and cost accounting regulations would generate additional complexities and cost to U.S. Government contractors.

Additionally, several IFRS accounting areas (e.g., fair value adjustments to assets and capitalization of research and development costs) could not be adopted to accommodate the cost accounting requirements of U.S. Government contractors because of direct conflicts with the regulatory requirements. This would expand the number of differences between financial accounting and cost accounting, requiring U.S. Government contractors to incur additional costs to modify existing business processes, controls and information technology systems to maintain separate financial accounting and cost accounting records.

Furthermore, the adoption of IFRS would result in changes to accounting practices for the measurement, assignment, and allocation of costs for cost accounting purposes to the extent that existing references to U.S. GAAP result in accounting changes that in the CAS and FAR rules would need to be changed. As a result, the adoption of IFRS could have an impact on costs allocated and charged to U.S. Government contracts. A change in cost accounting practice such as this would require a complex, time consuming and costly process between the U.S. Government and contractors to quantify and resolve. Therefore, we believe that the Commission should not move forward with mandatory adoption of IFRS until additional due diligence is performed to more fully research and understand these potential changes and their effects.

To address certain of the concerns above, the potential effects could be mitigated to the extent the Commission was successful in working with other regulatory agencies (e.g., the Office of Federal Procurement Policy and the Procurement Executives in DOD, GSA and NASA) to align their related accounting requirements with IFRS. It is our understanding that the FASB Accounting Standards Codification™ was designed in the manner it was, i.e., topically, which would permit IFRS to utilize the same numerical scheme. To the extent possible, if other regulatory rules were modified to reference the FASB Accounting Standards Codification™, this would, to a certain extent, minimize the impact of adopting IFRS.

Corporate Governance; Stock Exchange Listing Requirements

Compliance with corporate governance and other related stock exchange listing requirements is crucial to U.S. issuers' abilities to maintain investor confidence and maintain their listings on the various stock exchanges. Another vital aspect to maintaining investor confidence is the expertise held by the members of the audit committee and the role they play in the financial reporting process. Management of the company, its analysts, investors and

stockholders rely on the knowledge and integrity of the audit committee for their role in overseeing the financial reporting process. A vital part of the audit committee's responsibility is to understand the underlying accounting principles used to develop and communicate the financial condition of the company.

If IFRS were to be adopted, audit committee members, specifically the audit committee financial expert (the "expert"), would need sufficient time to be able to research, understand and apply this new set of accounting principles to the companies they service. To facilitate this, we recommend the Commission work with the AMEX and NYSE to develop and issue guidance on the level of training an audit committee member, including the expert, should have related to the adoption of IFRS. This guidance should include the level of commitment (time and cost) that would be required to achieve this. The absence of such guidance could put the very objective of the audit committee at risk. The Request for Comment questions whether the absence of an expert would adversely affect a U.S. issuer while the audit committee members are obtaining the necessary experience. We believe that the absence of an expert would be detrimental to the U.S. issuer, particularly since IFRS is a principles-based model, which would permit significantly more judgment in applying accounting standards. Careful consideration should be given to permit such audit committee members and experts sufficient time to acquire the necessary experience with IFRS, which will likely be through education, rather than through experience.

Statutory Distribution Restrictions and Other Legal Standard Tied to Financial Reporting Standards

One of the key drivers supporting the adoption of IFRS is the presumed benefit it will bring to investors. The Request for Comment highlights the potential impact the adoption of IFRS could have on certain jurisdictions to limit or prohibit the ability of U.S. issuers to declare dividends to shareholders or to repurchase stock, as certain legal standards are based upon amounts determined for financial reporting purposes. We strongly encourage the Commission to work with these jurisdictions to remove any unintended consequences the adoption of IFRS would have to U.S. issuers.

We appreciate the Commission's continued effort to analyze the impact the adoption of IFRS would have on U.S. issuers and the related costs and benefits associated with such a transition. We also appreciate the Commission's consideration of the issues we have outlined herein.

Sincerely,



Richard K. Sylvester
Vice President
Acquisition Policy