



Duke University
DEPARTMENT OF POLITICAL SCIENCE

Nancy M. Morris, Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090

RE: Comments on file S7-20-07

Durham, NC, 13 November 2007

Dear Ms. Morris,

When the SEC issued Concept Release 33-8831 on August 7, 2007, the Commission invited comments regarding possibly allowing U.S. issuers to prepare financial statements in accordance with International Financial Reporting Standards (IFRS) as developed by the IASB in lieu of (and without reconciliation requirement to) U.S. GAAP as developed by FASB. We are in the midst of conducting a survey among CFOs and other senior financial executives of U.S. listed companies (one respondent per firm), in which we ask a number of questions that speak directly to the issues raised in Concept Release 33-8831. We are submitting this comment to share with you some of the most pertinent findings.

The survey is conducted among a sample of listed firms. U.S. issuers were randomly selected for inclusion in the sample, with the likelihood of selection proportional to a firm's economic size. No more than one respondent was selected per firm, and each is asked to answer on behalf of the firm; firms rather than individual respondents should therefore be seen as the unit of analysis, though answers are bound also to reflect the respondents' personal assessments. The survey is conducted using an online questionnaire. To ensure the scientific validity of the results, we use a system of usernames and passwords that safeguards against any duplicate submissions and does not allow the submission of responses by firms not selected for our sample. The results reported below are based on the 84 responses received from U.S. firms through the end of business day on November 12, 2007.

Qualification of the Respondents: The respondents are a highly qualified and well-informed group. They are CFOs (42%), Chief Accounting Officers (20%), Controllers (18%) or hold specialized positions such as Director of Financial Reporting or VP for Accounting Policy. 100% of the respondents report being "familiar" or in most cases even "very familiar" with U.S. GAAP. 69% report being "familiar" or "very familiar" with international accounting/financial reporting standards.

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Quality of Standards: As part of our survey, we ask respondents to share with us their assessment of the quality of U.S. GAAP and IFRS.¹ While a smaller number of respondents feels that they can assess the quality of the standards developed by the IASB than could assess FASB standards, it is notable that among those who answered these questions, the overwhelming majority has a positive assessment of both U.S. GAAP and IFRS:²

Please assess the following aspects of ...	very low	low	high	very high	total # of respondents
U.S. GAAP: quality	1.2%	11%	71%	17%	83
IFRS: quality	1.5%	14%	80%	4.6%	65

Shift of Standardization to the International Level: Moreover, the vast majority (more than 90% of 84 respondents) expect that financial reporting standards "will be increasingly developed at the international level."³ Asked for their normative assessment of this development, 57% view it as positive and 30% of the respondents view it as neutral; only 13% view it negatively.⁴

Similarity between U.S. GAAP and IFRS: Asked whether "existing international standards are largely identical to U.S. GAAP," only 37% agree, whereas 43% disagree. However, there is a strong expectation that "international standards and U.S. GAAP will increasingly converge:" 89% of respondents agree or strongly agree with that statement, whereas only 1.2% (1 respondent) disagree.

SEC Acceptance of IFRS-Based Accounts: To survey the balance of opinions regarding the issues at the core of SEC proposed rule No. 33-8818, "Acceptance From Foreign Private Issuers of Financial Statements Prepared in Accordance With International Financial Reporting Standards Without Reconciliation to U.S. GAAP" (file no. S7-13-07) and SEC Concept Release No.33-8831, "on Allowing U.S. Issuers to Prepare Financial Statements in Accordance With International Financial Reporting Standards" (file no. S7-20-07), we ask survey respondents to "indicate whether you agree or disagree with each of the following statements:"

- The SEC should regard IFRSs as issued by the IASB as equivalent to U.S. GAAP and no longer require reconciliation for foreign registrants.
- The SEC should accept IFRSs-based financial statements from domestic registrants.

¹ Throughout this letter, as in the survey, we use "IFRS" to refer to both IFRS and revised IAS, as developed or revised (respectively) by the International Accounting Standards Board (IASB).

² Percentages are rounded to two significant figures throughout and may therefore not add up to 100.

³ This information and all the information that follows was gathered via a series of statements at the end of the survey, where respondents are asked to indicate whether they strongly agree, agree, neither agree nor disagree, disagree, or strongly disagree with the statement (5 response options). The specific statement is "Standards *will* increasingly be developed at the international level" (emphasis in the original). 4.8% indicated that they disagree or strongly disagree; 4.8% indicated that they neither agree nor disagree. All others agreed or strongly agreed.

⁴ Positive/negative assessment as indicated through agreement or disagreement with the statement: "Standards *should* be developed first and foremost at the international level."

The main finding here is that a clear majority of U.S. firms in our survey sample supports SEC acceptance of IFRS-based accounts. That support is even stronger for the question that directly addresses S7-20-07, where an absolute majority of respondents agrees or strongly agrees with the statement that the SEC should accept such financial statements from U.S. issuers:⁵

	Foreign Registrants		Domestic Registrants	
strongly agree	23%	} 50%	20%	} 55%
agree	27%		35%	
neither agree nor disagree	17%		14%	
disagree	25%	} 33%	22%	} 30%
strongly disagree	8.3%		8.4%	

Our study is ongoing and the above results are in that sense preliminary. However, they are based on responses from a broad cross-section of U.S. firms and should therefore be representative of this group of stakeholders in SEC accounting standards decisions.

Respectfully submitted, November 13, 2007,

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⁵ Moreover, as the size of the firms increases, the percentage of firms agreeing with these statements increases, too. The question about foreign registrants was answered by all 84 respondents; the question about domestic registrants by 83 respondents.