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## Annual Meeting, October 23, 2007, Marriott Tampa Waterside Hotel and Marina, Tampa, Florida

American Institute of Certified Public Accountants (AICPA)

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AMERICAN INSTITUTE

of

CERTIFIED PUBLIC ACCOUNTANTS

Annual Meeting

October 23, 2007

Marriott Tampa Waterside Hotel and Marina

Tampa, Florida

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P R O C E E D I N G S

10:20 o'clock a.m.

CHAIR WILLIAMSON: Let me remind you of our disaster recovery guides that are so, so useful when we have disasters break out in life, with Hurricane Katrina, and now the wild fires of California.

So just to remind you that those disaster guides are out there and they are very, very helpful in working through these kinds of situations.

So I just wanted to remind you of that.

I want to remind you that we moved the registration desk outside the Florida Ballroom where we will have our lunch today. Please return all of your forms including meeting evaluations and the SEC Concept Release feedback to the registration desk.

Please do not leave them on your tables in this room because they will not be picked up here.

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So please drop them off.

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I want to bring Barry up for just a second to answer a question relative to the ballot.

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PRESIDENT MELANCON: Several people asked me during the break the status of the bylaw ballot.

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And so I wanted to communicate it to everyone.

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November 6th is the last date to vote. We do not get any results whatsoever until all of the balloting is completed. So we have no information to share with you other than that the ballot process is open.

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And we will obviously communicate with Council through e-mail a day or two after that once we get those -- after November 6th once we get those results.

20

21

CHAIR WILLIAMSON: Thank you very much, Barry.

22

23

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25

At this time I declare the Annual Meeting of the American Institute of Certified Public Accountants to be in session and, in particular, offer a warm welcome to the

1  
2 members of the Institute attending this meeting.

3 We appreciate the time you have  
4 taken to be with us and we thank you all for your  
5 contributions during this meeting.

6 We will begin our Annual Meeting  
7 with Doyle Williams, Chairman of the Awards  
8 Committee, presenting the AICPA's highest honor,  
9 the Gold Medal for Distinguished Service award.

10 We now turn to Agenda Item #16,  
11 the presentation of the Gold Medal Awards.

12 The Institute established the  
13 Gold Medal Award for Distinguished Service in  
14 1944 and it is the highest honor bestowed by the  
15 American Institute on a member.

16 It is awarded to members whose  
17 influence on the profession as a whole is  
18 distinguished when compared with contemporary  
19 leaders.

20 We have two of those members  
21 with us today who will receive our highest honor.  
22 But before I introduce them, I would like to  
23 recognize several members who have already  
24 received the Gold Medal with us today.

25 I would like those members to

1  
2 stand as I call your names. Please remain  
3 standing and please hold your applause until I  
4 have introduced each of them.

5 Sam Derieux, 1978;

6 Rholan Larson, 1985;

7 Ray Groves, 1991;

8 Marvin Strait, 1992;

9 Bob Israeloff, 1997;

10 Bob Mednick, 1998;

11 Jake Netterville, 1999;

12 Dick Piluso, the year 2000;

13 Olivia Kirtley, 2002;

14 Doyle Williams, 2002;

15 Stu Kessler, 2003; and

16 Ron Cohen, 2006.

17 Please join me in welcoming  
18 them.

19 (Applause.)

20 CHAIR WILLIAMSON: I would now  
21 like to ask Doyle Williams, the Chairman of the  
22 Awards Committee and a Gold Medal recipient  
23 himself, to come to the podium. He's here to make  
24 the presentation to this year's recipients.

25 Doyle, I'll turn it over to you.

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MR. DOYLE WILLIAMS: Thank you,  
Mr. Chairman.

Chairing the AICPA Awards  
Committee this year culminates over forty years  
of service to the AICPA, starting with my grading  
of the CPA Exams in the summer of 1967.

I've noticed a lot of trends  
especially coming to a lot of Council meetings  
over the years.

And I noticed that this morning,  
for example, that the women were more  
proportionately represented in the fitness center  
than the men.

(Applause.)

MR. DOYLE WILLIAMS: And I hate  
to inform the men but I don't think they're there  
to observe our abs.

(Applause.)

MR. DOYLE WILLIAMS: Looking  
over this group at least.

(Applause.)

MR. DOYLE WILLIAMS: But this  
really has been a rewarding career of service and  
clearly one of the most enjoyable roles has been



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that of recognizing those who contributed so much to the profession over the years as we are doing this morning.

I would like to recognize the members of this year's Awards Committee and would ask those members with us today to stand and be recognized and hold your applause until all are standing.

- Mike Conway of South Carolina;
- Dan Henke, Texas;
- Farlis Johnson, Oklahoma;
- Stuart Kessler of New York;
- Olivia Kirtley of Kentucky; and
- Charles McElroy of Minnesota.

Thank them for their wonderful service.

(Applause.)

MR. DOYLE WILLIAMS: The Committee has been very ably staffed by Jay Rothberg and his assistant, Louis. We really appreciate Jay and your tremendous support and efforts on our behalf. It certainly made my job as Chairman a very enjoyable and easy one frankly.

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On behalf of the Awards Committee, it's my pleasure to recognize two outstanding recipients of the profession's highest award, the Gold Medal.

As you would suspect, time will not permit sharing with you all of their contributions and achievements. So we can really only touch on a few of those many, many accomplishments.

I would like to call the first recipient of the AICPA 2007 Gold Medal Award, Kathy Eddy, to the podium. If she would please come forward.

As she does so, I would like to introduce her husband, Ed, who is here. Ed, would you stand for a moment, and thank you for being here.

(Applause.)

MR. DOYLE WILLIAMS: Kathy Eddy has significantly contributed to the growth and success of the accounting profession throughout her extensive and distinguished career.

Her dedication and leadership as shown by professional achievements and her

2 efforts on behalf of the American Institute of  
3 Certified Public Accountants have contributed to  
4 the profession's strength today.

5 Over the years Kathy has shared  
6 her knowledge, her skills, her abilities through  
7 various professional and community activities.

8 Kathy is past Chair of the AICPA  
9 Board of Directors, has served on the Board, the  
10 governing Council and numerous committees  
11 including the Audit, the Finance, Compensation,  
12 Strategic Planning, State Legislation and Special  
13 Committee on Mobility.

14 She has served as Chair of the  
15 AICPA Special Committee on State Regulation, the  
16 AICPA NASBA National Steering Committee on the  
17 Regulation of the Profession, the Federal Key  
18 Person Committee and the Nominations and  
19 Political Action committees.

20 She's also served on the Board  
21 of Directors and chaired the Audit Committee of  
22 CPA2Biz.

23 In addition, Kathy has been  
24 active professionally in her home state serving  
25 as both president of the West Virginia Society of

2 CPAs and President of the West Virginia State  
3 Board of Accountancy.

4 Kathy's service to the community  
5 is exemplified by her serving as a member and  
6 chairman of the Board of Directors of Camden  
7 Clark Memorial Hospital, Chairman of the West  
8 Virginia Jobs Investment Board and Treasurer of  
9 the Chamber of Commerce of the Mid-Ohio Valley  
10 Business and Education Foundation.

11 In other professional activities  
12 she currently serves as a member of the Board of  
13 Directors, a member of the Nominations and  
14 Governance Committees and Chairman of the Audit  
15 Committee of Harsco Corporation.

16 In recognition of such a  
17 distinguished career, of great appreciation the  
18 Institute presents the Gold Medal for  
19 Distinguished Service, its highest award, to  
20 Kathy G. Eddy.

21 (Standing ovation.)

22 MS. KATHY EDDY: Okay. I have  
23 to get my glasses and my Kleenex.

24 (Laughter.)

25 MS. KATHY EDDY: Thank you,

1

2 Doyle, and thank you to your Committee.

3

4 Accepting this is indeed a honor  
and a privilege.

5

6 I would first like to  
congratulate Gary on his well-deserved honor.

7

8 As you will hear from Doyle, his  
9 contributions to this profession are enormous and  
10 we all thank you for all you have done and for  
all you're going to continue to do.

11

12 I was shocked when Doyle called  
13 to tell me that I had been selected to receive  
14 this honor today. However, seeing those who have  
15 received it before me and knowing them personally  
16 and understanding the great contributions they  
have made to this profession, I am truly humbled.

17

18 Besides the Award Committee,  
19 there are those, of course, who have been  
20 responsible for me to be able to do the things  
that Doyle talked about.

21

22 First would be the people of the  
23 West Virginia Society of CPAs. They have been  
24 steadfast in their support of me and it is where  
I first learned the importance of being active in  
25 this profession.

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Ed and I haven't missed an annual meeting of the West Virginia Society in twenty-six years. Of course, that has nothing to do with the fact that it's at the Greenbrier Resort.

(Laughter.)

MS. KATHY EDDY: But being from a small firm means that everyone there has to step up to the plate to do more in order for me - - to allow me not only to have the time to do these activities, but also be able to do them with the peace of mind that everything has been taken care of. For that I am truly grateful and I thank every one of them.

Chief among that group were my partners Robin Baylous and Darryl Baylous.

During my most active years their commitment to the profession was evident by their support of Ed and I in keeping the firm running and prospering.

Both of them are past presidents of the West Virginia Society and Darryl is West Virginia's elected member to this Council.

Darryl and Robin could not be

2 here with us today because a year ago in August  
3 Darryl at the age of forty-nine was diagnosed  
4 with Lou Gehrig's Disease. It has been an  
5 incredibly difficult year for Darryl and Robin. I  
6 am truly sorry they could not be here to have me  
7 publicly thank them and tell them how important  
8 they have been to Ed and me and the firm.

9 And in the thank you department  
10 I would just like to take a minute to talk about  
11 my husband Ed and his support of me in this  
12 profession.

13 As most of you know, Ed is my  
14 partner in life as well as my partner in the  
15 business. I often say that Ed being a CPA is both  
16 good news and bad news.

17 The good news is I always have  
18 someone I can talk to and discuss the issues  
19 with.

20 The bad news is he never lacks  
21 for an opinion.

22 (Laughter.)

23 MS. KATHY EDDY: And he never  
24 hesitates to let me know what it is.

25 He is the managing partner of

2 our firm and he has never said I don't think the  
3 firm can afford for you to do this whatever the  
4 "this" was.

5 He organizes, he rearranges, he  
6 hires more people. Whatever it takes, he gets it  
7 done. I thank him from the bottom of my heart for  
8 his support, but more importantly, I thank him  
9 for being Ed.

10 (Applause.)

11 MS. KATHY EDDY: I want to take  
12 just a few minutes today to reflect not on  
13 anything I have done, but rather on the state of  
14 our profession and our professional organization,  
15 reflect on what has evolved since my tenure as  
16 chairman.

17 I started thinking about this  
18 after I returned home from the May Council  
19 meeting. I had kind of a "wow" moment because in  
20 my view it was an extraordinary Council meeting.

21 It has not been that long ago  
22 that the issues were tough and the talk about the  
23 CPA profession and the AICPA as an organization  
24 was so negative that some thought we would not  
25 recover.



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I'm not going to rehash what was going on in 2000 and 2001, but we are all aware that we had tough internal issues and even tougher external issues.

The May Council meeting really showcased that as a profession we used the tough times not to retreat but to build a tougher profession, a stronger profession, to build a stronger organization and to set the stage for us as a profession to have a strong voice in policy and decisionmaking on financial and regulatory issues that affect our members and the clients and employers they serve.

At that meeting we heard about Barry's participation in two capital market conferences. And recently we heard yesterday he was appointed along with Gary by the Treasury Secretary to an advisory panel on the future of the auditing profession.

These are all examples that the CPA voice is not only important on these issues, but it's also necessary, and that the AICPA is the organization with the credibility to make that voice heard.

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A few years ago, some might have said we would never again have a seat on the table of policymaking, but we do. And I thought that, in particular, the May meeting of Council was evidence of that fact.

After the May meeting I thought we heard about the things going on bit by bit - relocation, with the CPA2Biz, all of those things are doing really well.

But the real "wow" for me was where we are today and where we were just a few years ago.

We are indeed fortunate as a profession to have a strong foundation built by those before me, many of whom are in this room. The foundation was shaken a bit by the events of a few years ago, but it never really cracked.

We are most fortunate to have volunteer leaders, including the members of this Council, that have made the hard decisions to move this profession forward.

And above all, we have the right tone at the top in Barry Melancon. He never had a challenge he did not meet head on, but he turns

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it into an opportunity.

And then there is the senior staff that he has built, the staff totally, including the senior staff. I'm not going to name each one of you individually, but it is my view that no professional organization has better senior staff than the leadership of the AICPA.

And, frankly, a lot of credit goes to the membership as well. We recognized that change was needed, the quality needed to be addressed, the financial literacy there was a message that we could and should effectively deliver, that student recruitment was vitally important.

It has been a team effort of those in leadership and the membership itself that has filled the cracks in the foundation.

I would be remiss, and those of you who know me would probably be amazed, if I did not address the one issue that continues to baffle me and I believe needs everyone's attention more than ever.

We are doing amazing stuff:  
XBRL, international accounting standards,

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computerized CPA exam, but we cannot make mobility for CPAs a reality?

I certainly acknowledge the work that has been done and the attention focused on this issue over the last several months. For the first time NASBA and AICPA are really in agreement on the urgency of the problem and are jointly working to solve it.

The agreement to remove the notification requirement for substantial equivalency, at the same time strengthening the state board's authority to discipline, was huge. And I commend both organizations for meeting each other at the proverbial half-way point.

However, this issue is going to take more than the leadership of each organization saying it's a problem. It is going to take every one of us and every one of our fellow CPAs to get engaged to work with our State Societies and State Boards of Accountancy and state legislators to achieve this goal.

No one knows or appreciates the value of a state-based licensing system more than I do.

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But let me just tell you a short story.

Last week I was invited to a State Society to participate in a students night where they were also recognizing new licensees as CPAs.

At that event the president of the board of accountancy made mention of mobility and substantial equivalency. And he asked the question: Do you really want CPAs from across the country telling us in our state what to do?

The Secretary of State of that state was present to give the ethics oath to new licensees.

And at dinner afterwards he asked me about what the president of the board of accountancy had been talking about and we discussed mobility and substantial equivalency.

After a brief discussion, what he said was so basic but so true. He said: isn't the CPA Exam a national standardized exam, not designed or given -- not designed state-by-state?

Of course I answered yes.

And then he said: it seems to me

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the demonstration of the understanding of the body of knowledge is what is important to becoming a licensed CPA, not arbitrary differences imposed by individual states.

He was so right.

I believe the time has come and, frankly, is almost past to give everyone of us the opportunity to work together to fix the current system.

Given the renewed commitment of the players, the AICPA Board of Directors believes that it is important to give the state-by-state approach to mobility yet another chance at success.

The no notification modifications have been made to the UAA. Many State Societies and State Boards are engaged. The leadership of both NASBA and the AICPA are engaged.

We saw Sue's map yesterday and we see great progress. Now what we need is every CPA in this room actively involved in making CPA mobility a reality.

I urge you to work with your

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State Societies and State Boards to enact uniform mobility and to resist the urge to tweak it. Tweaking it to suit your state is one of the reasons we are, and I say this lovingly, in the mess we are in today.

I could not stress enough the importance of uniformity.

It was a powerful combination of members and leadership that helped to put this profession on the strong footing that we witnessed at the May Council meeting.

Let's work together as a team to put our state-based regulatory system on the best possible footing by making substantial equivalency with no notification a reality for the good of this profession and the publics we serve.

Once again, I am thrilled to accept this award. It is, indeed, very rewarding to be recognized by one's colleagues, but it is even more rewarding because most of you are not just colleagues, you are also friends.

Thank you very much.

(Applause.)

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MR. DOYLE WILLIAMS: As the second recipient of the AICPA Gold Medal for this year, I ask Dr. Gary John Previts to please come to the podium.

Gary is accompanied today by his wife, Fran. Fran, would you please stand?

(Applause.)

MR. DOYLE WILLIAMS: Also we have a very special guest. Gary is President of the American Accounting Association. The Executive Director of the AAA, which is headquartered here in Florida, is present with us today, Tracey Sutherland, who does a fantastic job with that organization.

So, Tracey, thank you for joining us on this special occasion.

(Applause.)

MR. DOYLE WILLIAMS: Gary John Previts has significantly contributed to the growth and success of the accounting profession throughout his distinguished career as an accounting educator.

For more than twenty-five years



1  
2 Gary has demonstrated his dedication and  
3 involvement through his activities with the  
4 American Institute of Certified Public  
5 Accountants, the Ohio Society of Certified Public  
6 Accountants, the American Accounting Association,  
7 the Cabinet of Accounting Historians and in his  
8 teaching and in his research.

9 He has successfully combined his  
10 enthusiasm for education with many professional  
11 activities and continues to contribute to the  
12 profession's body of knowledge.

13 As a professor at Case Western  
14 Reserve University, Gary has been in the  
15 forefront of accounting education and deeply  
16 involved in the profession's evolution.

17 His research includes studies in  
18 accounting history and the development of  
19 accounting thought, accounting regulation and  
20 accounting education.

21 He's co-author of "A History of  
22 Accounting in the United States," and co-author  
23 of "CPA Professional Duties and  
24 Responsibilities." He's also editor of "Research  
25 in Accounting Regulation."

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Gary has also been recognized by Case Western Reserve University with the Weatherhead School's Outstanding Service and Research Award.

He has been an active volunteer with the AICPA for more than twenty-five years serving as a member of the AICPA governing Council, Board of Directors, Audit Committee, SEC Regulations Committee, Accounting Education Executive Committee, Financial Literacy Commission, Professional Advertisement Special Committee and Centennial Steering Committee.

He has also served twice as chairman of the AICPA's FSAB Rule 203 Review Panel Task Force reviewing the standard-setting processes of the United States Federal Government as to authoritative status of the Federal Accounting Standards Advisory Board.

As a prolific author, Gary has written numerous books, journal articles, monographs and case studies on accounting topics as well as news, commentaries and reviews.

Gary has served as President of the Ohio Society of CPAs and, as I mentioned, is

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currently President of the American Accounting Association.

He was the founding president of the Cabinet of Accounting Historians and has been the editor of the "Accounting Historians Journal."

He has received the Ohio Society's Gold Medal.

He also serves as a member of the Accountability Advisory Council of the Comptroller General of the United States.

And if that's not enough, as has been mentioned a couple of times here at this meeting, he has been named to the U.S. Treasury Secretary's Panel on the future of the auditing profession.

Gary completed his undergraduate degree at John Carroll University, his Master's of Accountancy at Ohio State University and his Ph.D. at the University of Florida.

He served as an officer in the U.S. Army, including a tour in Southeast Asia in 1967.

Prior to joining Case Western

2 Reserve University, Gary served on the faculty at  
3 the University of Alabama and as visiting  
4 professor at Northwestern University.

5 So in recognition of such a  
6 distinguished career and with great appreciation,  
7 the Institute presents the Gold Medal for  
8 Distinguished Service, its highest award, to Gary  
9 Previts on his birthday.

10 (Standing ovation.)

11 DR. GARY PREVITS: Good  
12 morning, everyone, and thank you so much, Doyle  
13 and the Members of the Awards Committee.

14 Thank you, Jimmy and Barry.

15 One isn't able to sufficiently  
16 express the gratitude which comes to mind under  
17 such a circumstance, but I'll do my best to  
18 acknowledge the importance of the support I  
19 received over the years, not only from my  
20 colleagues at the Weatherhead School, but my  
21 peers at the Ohio Society, including the  
22 President Clarke Price.

23 I know that -- are you guys  
24 still far in the back corner where you were?  
25 Please stand up for just a second. This is the

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Ohio delegation.

Thank you so much for your support.

(Applause.)

DR. GARY PREVITS: I've also had a very long association, I think over thirty years, with three other State Societies:

During my years on the faculty in Tuscaloosa with the Alabama Society;

When I was a student at the University in Gainesville, I'm still a member of the Florida Institute;

And I suspect some folks over there saying "who's that? who's that guy?" He's a Florida Institute member.

Well, to further befuddle you, I've also been a member of the Georgia Society for all the years since I began my teaching career back in Augusta in the 1960s.

My AICPA community service began in the early 1970s when I first met Bea Sanders on the Education Committee, and then I continued working on Council in the 1980s and 1990s when Phil Chenok was President. So I've worked with

2 many of the past Board Chairs and Gold Medal  
3 winners, including Kathy.

4 Kathy, congratulations. Such a  
5 great tribute to you. Congratulations.

6 And I appreciate all of the  
7 opportunities you have given me to serve and to  
8 grow in that service.

9 Above all, of course, there's  
10 one special person who you've already been  
11 introduced to, my wife, Fran. Nothing I've ever  
12 done could be of consequence without her support.  
13 Thank you.

14 (Applause.)

15 DR. GARY PREVITS: Doyle, you  
16 certainly didn't shortchange me. Thank you for  
17 all the mentions.

18 But one thing that I think we're  
19 very proud of as well is our four adult children  
20 and our six grandchildren.

21 There is another colleague at  
22 the table with me this morning visiting us, Dale  
23 Flesher, a Member of Council. Dale and I co-  
24 authored so many different papers together.

25 Dale, if you would just stand up

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for a second. Thank you for all your support.

(Applause.)

DR. GARY PREVITS: Dale is also co-chairing the annual meeting next year in Anaheim, California, the first week of August. For the last three years we've drawn record attendance. I think this year we're hoping for another record-breaking year, about 3,000 delegates.

Again, to everyone, thank you.

As a personal faith, I believe there is more to one's success than the tangible and I certainly appreciate the support that Providence has blessed us all with.

Doyle has mentioned that coincidentally today is my birthday. So this is a very special birthday gift.

Well, what now?

I was with Barry a week ago in D.C. at the start of this particular Treasury thing and he said: Gary, if you talk too long, you might lose people, it's in the middle of the day.

So he gave me some good advice.

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So I'm going to do my very best to keep it brief.

I would like to talk just a second or two about the sense of purpose of being a CPA and talk about the area that I know a little bit about, education, and a little bit more about the history of our profession.

So if you will bear with me.

This is not any official AAA position. This is not a -- or have anything to do with any Treasury Committee. This is just from someone who has observed as a member of this organization for over forty years some background so that we can look ahead to the rest of this particular century and to recognize how important it is to be forethoughtful in not just one generation terms, but in multi-generation terms.

At the time of our first CPA law in New York in 1896 and then through the succeeding three decades while legislation was being passed among the other forty-eight states, a CPA's formal education requirement was simply a high school diploma. That was it.

It would be decades before a Bachelor's degree would become the norm for a CPA



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2 qualification.

3                   Then in 1967, this organization,  
4 through a landmark study, pointed the way towards  
5 a vision for a graduate entry level profession.  
6 In that study, called "Horizons for Our  
7 Profession," was introduced a complete new formal  
8 view of accounting.

9                   And I think it's sometimes  
10 difficult for us to appreciate how long it takes  
11 to bring about change.

12                   I certainly heard about XBRL  
13 today and I heard about the codification. And,  
14 you know, we have this American tendency for  
15 instant things.

16                   So let me give you a little  
17 background about how instantaneous things have  
18 been.

19                   Thirty years from 1896 to about  
20 the mid-1920s to get all the CPA laws passed.

21                   From 1927, when New York passes  
22 the first Bachelor's degree requirement to an  
23 implementation in 1938, through a rolling period  
24 of another four decades we finally become a  
25 college-based profession.

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Then in 1967 we look ahead towards a horizon for graduate entry.

Today, of course, a majority of the new CPAs have achieved a postbaccalaureate education requirement nearly equivalent to a graduate degree but not quite.

We are professionals, of course, and our education is tuned to our sense of purpose. What role do we play in society?

Well, I think we are professionals because we serve one of the most important rights of the free enterprise system, that is the constitutional right to own private productive property. This right is at the core of our economic system, all its opportunities and the promise of prosperity and liberty.

At the time of the American Revolution, of course, the property right was about physical property, mostly land. Today, it's about our investments and securities, the principal form of our property.

This property right importantly begets a right to information about that invested property. Without such information individuals,

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you and I, are certainly less able to manage our properties properly and responsibly, but we also risk without that information de facto forfeiting the control of our property to market intermediaries - money managers and their agents.

The CPA's professional role in our society is to satisfactorily serve the right for information, much as attorneys serve and advocate for legal rights and physicians attend to health matters.

Each profession grows and matures at different times in history. This is our time as the needs of society have dictated to protect the information right.

In so doing, we must redefine sometimes the challenges that we choose to meet. Kathy has addressed the mobility issue, a very difficult issue.

In these changes and redefinitions, education has a major role to play.

Clearly the CPA of 1896 in the mainstream would be a little ill-fitted for practice in 2007, at least at the formal level of

2 education. A high school diploma would not get  
3 you there today, even the brightest exception  
4 which we allow for under many CPA state laws  
5 would not be in the mainstream.

6 Today we have something called a  
7 postbachelor's requirement, the so-called 150-  
8 hour requirement, just short of a true graduate  
9 entry level.

10 So we are nearly there achieving  
11 an educational horizon we set out forty years ago  
12 in a study that this Institute sponsored.

13 We have the opportunity to  
14 become not only a truly graduate profession in  
15 the coming years, but also to be representative  
16 as a learned profession.

17 Why should CPAs aspire to be a  
18 learned profession?

19 Because today's information  
20 about public goods, such as public investments,  
21 and because accounting is the language of  
22 business, we serve the public specifically by --  
23 a public that is specifically one that looks at  
24 the bottomline. And that's our operational mode.

25 Indeed, as Walter Wriston said,

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information about money is almost as valuable as money itself. And we're there to protect society's information right.

As professionals in this nation of investors, we, as CPAs, are called upon to serve and protect that right a century from today.

You're saying where is this guy coming from, a century from today. We know where we're going to be and it probably won't be here.

(Laughter.)

DR. GARY PREVITS: A century ago the vision of this leadership, the leadership of this profession, looked out not just one year or two years or ten years, but strategically thought about what was going on in three or four generations.

You can read the speeches of George O. May thinking in 1955 two and three generations ahead. Perhaps it was his British background, but he thought strategically well into the future.

And I hope it can be said that this Council and leadership decided early in the

2 21st century, now, that the CPA profession should  
3 take its place among the learned professions and  
4 achieve our horizon, adopting a true graduate  
5 level professional requirement.

6 Thank you very much for this  
7 special gift on my birthday.

8 God bless you.

9 (Applause.)

10 CHAIR WILLIAMSON:

11 Congratulations to both Kathy and Gary on this  
12 incredible honor. You are most deserving of this  
13 recognition for your service to the profession.

14 On behalf of all your peers and  
15 members of our profession, I congratulate both of  
16 you.

17 (Applause.)

18 CHAIR WILLIAMSON: Now we will  
19 turn to Agenda Item #17.

20 Paul Stahlin, Chairman of the  
21 AICPA Board Task Force on the SEC Concept Release  
22 on IFRS, and Dan Noll, our Director of Accounting  
23 Standards, will give us a report on this subject.

24 We will then have table  
25 discussions to get your feedback.

2                   This feedback will be shared  
3 with the AICPA Board of Directors before it  
4 submits its comment letter.

5                   I now would like to turn the  
6 podium over to Paul and Dan.

7                   MR. PAUL STAHLIN:    Thanks,  
8 Jimmy.

9                   And I come before you now not as  
10 Chair of the Audit Committee, but as Chair of the  
11 SEC Concept Release Task Force.

12                   I am back again. However, this  
13 topic is a little more exciting and a bit more  
14 complex than my last topic.

15                   No less than five speakers  
16 yesterday - Jimmy, Barry, Sue Coffey, Jim  
17 O'Malley and Judy O'Dell - spoke about  
18 international accounting financial reporting.

19                   Of course, we have our own Bob  
20 Bunting, who is very active in the international  
21 accounting field.

22                   This is and should be a hot  
23 topic.

24                   Parenthetically, as a footnote,  
25 for this topic I do not need my sexy voice, and

2 now I'm just stuck with this lousy cold.

3 The Concept Release.

4 I am pleased to be here today to  
5 engage you on a topic that is fundamental to how  
6 our profession considers Generally Accepted  
7 Accounting Principles.

8 Before we get started, allow me  
9 to acknowledge our staff members, Dan Noll and  
10 Fred Gill, for their work and invaluable insight  
11 into this task force.

12 As you heard from Barry  
13 yesterday, the world is moving to a global  
14 marketplace. In previous meetings of Council,  
15 we've had discussions on international  
16 convergence, on various topics. But now is the  
17 time to come to discuss globalization in the  
18 accounting context.

19 The SEC has issued a Concept  
20 Release that asks the question: Should U.S.  
21 public companies have the option to comply with  
22 international GAAP instead of U.S. GAAP?

23 Those of you who deal on the  
24 GAAP realm immediately understand the  
25 significance of this notion. Hopefully, by the



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end of this presentation each of our Council Members will come to appreciate the significance of this question.

Our agenda today is simple.

The plan of attack is to raise your awareness about the Concept Release, to provide a brief historical background, Dan will provide some of the pros and cons arguments on the main issues, I will share with you the Board's tentative positions and supporting reasons for the Concept. And the questions for Council input is very valuable to our Board's comment letter. We will do that via, as Jimmy mentioned, via table discussions.

About the Concept Release.

A couple of fundamental brief points about the Concept Release.

It has been a long time since I personally have dealt with international accounting standards, and yet I find myself all too familiar with the issues that are still around.

IFRS, the International Financial Reporting Standards, is international

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GAAP that is set by the International Accounting Standards Board, the IASB.

Please understand that this Concept Release is not a proposal by the SEC, rather it is a neutral discussion, a document that asks a number of questions on the topic.

The key question in the release is again: Should U.S. public companies have the option to comply with international GAAP instead of U.S. GAAP?

As we move along in this presentation, please think about that question and how you would answer that.

I must stress this upfront. The Concept Release applies only to public companies. However, the market forces in the future could make this concept to non-public entities as well.

A bit of background to help put the Concept Release in perspective.

In 2002, the FASB who, of course, sets U.S. GAAP standards for the United States, and the IASB reached an historic agreement to converge their agendas and attempt to converge their accounting standards to be the

2 same and of the highest quality standards.

3 Since then, there has been  
4 significant success in achieving that goal though  
5 it is open to debate on whether the convergence  
6 is happening fast enough.

7 In 2005, in the interest of  
8 promoting a world GAAP, the SEC laid out a  
9 roadmap to consider eliminating the  
10 reconciliation of U.S. GAAP to foreign filers who  
11 list in the United States.

12 In other words, a foreign filer,  
13 using international GAAP, currently must prepare  
14 a comprehensive reconciliation to U.S. GAAP when  
15 listing in the U.S. capital markets, which brings  
16 us really to the topic at hand.

17 The SEC is asking for comments  
18 on two documents that they've issued.

19 On the first, the SEC is  
20 proposing to eliminate the reconciliation of  
21 foreign filers as I noted on the last slide.

22 We are not discussing this  
23 proposal today. But I should note that the AICPA  
24 participated in a Center for Audit Quality  
25 comment letter which supports eliminating that

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reconciliation.

The second item, the Concept Release, is the one that we are focusing on today.

In addition to an AICPA Board comment letter, the AICPA is participating in the Center for Audit Quality comment letter on the Concept Release. But that will be from the public company auditor perspective only.

The issues, and there are many of them.

These are the main issues we have been hearing from the IFRS Option, issues such as quality, comparability, the challenges to have a level playing field in the international markets, among others.

I'm going to turn it over to Dan to discuss with you the pros and cons of each of these issues.

Dan.

MR. DAN NOLL: Okay.

Thanks, Paul, and thank you everyone.

From a Jersey accent with a cold

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to a Brooklyn accent with a cold.

(Laughter.)

MR. DAN NOLL: So somebody wants to punish Council on this last day.

As we go through these issues, please think about how you would answer the fundamental question in the Release. Paul mentioned it. And that is: Should U.S. public companies have the option to follow International Financial Reporting Standards instead of U.S. GAAP?

This first issue asks the question: Is IFRS quality high enough to allow for the option?

And the pro view would say: absolutely yes. They would say, in fact, IFRS is a solution to a lot of the complexities that we find in accounting today, in GAAP accounting today. And they would note that under the more principle-based approach by IFRS without all of the detailed rules that go with it, which is the U.S. GAAP approach, one could go -- a company with their auditor could go, take a transaction, look at the principle and then say, okay, I've

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got it, I know how to account for this, as opposed to U.S. GAAP with its tangled web and a maze of detailed rules, not being sure which direction on the web to go or whether you considered everything in that web.

Another thing the pro side would argue and support is that, hey, look around the world. IFRS is being used around the world and those capital markets are doing A okay.

Now the con view of this would say: no, IFRS is not there yet. It would say it's not as fully developed as GAAP. There's still significant areas that have not been dealt with under IFRS. And, true, there is not enough interpretive guidance in IFRS as opposed to U.S. GAAP. There are a number of reasons that they would say that U.S. GAAP has these interpretations over the years. It's among other reasons to help people understand how to apply to transactions.

And so the con view would be that IFRS is not quite there yet.

Another issue asks the question would the option result in a level playing field

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2 for U.S. public companies, at least as it relates  
3 to accounting.

4                   And the pro view would say:  
5 absolutely. The whole idea of a U.S. public  
6 company being able to follow IFRS consistent with  
7 what their competitors overseas are doing is  
8 exactly the type of thing that helps make that a  
9 level playing field. Those who are looking to  
10 provide capital could look at financial  
11 statements on the same basis of accounting.

12                   The con view of this would say:  
13 focusing on a level playing field is not the way  
14 to look at this. Instead, what you need to look  
15 at is the fact that the U.S. has the gold  
16 standard of financial reporting, and that's  
17 called U.S. GAAP, and to that end that gives  
18 investors in the U.S. capital markets confidence  
19 that the U.S. markets provide the best and most  
20 information.

21                   So they would say that that  
22 ultimately leads to a lower cost of capital in  
23 our markets and that should be the focus, that's  
24 the thing that we should be driving to.

25                   Another issue asks the question:

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2 would the option result in more or less  
3 comparability in financial reporting?

4 And the pro view would say,  
5 similar to their view on the last slide,  
6 absolutely more comparability because you would  
7 have the U.S. public companies being able to be  
8 on the same accounting basis as their foreign  
9 competitors. That's a very classic example of  
10 more comparability.

11 The con view on this would say:  
12 maybe true on that point, but as even the pros  
13 said earlier, the idea of taking transactions and  
14 trying to figure it out at a more principle level  
15 without having all the details is a challenging  
16 thing to do. And what that would result in, if  
17 you have two preparers with their auditors taking  
18 a similar or same transaction and trying to apply  
19 that against a principle, you might have  
20 differences in how you account for that, assuming  
21 a reasoned basis, that everybody is acting in  
22 good faith.

23 So the con view would argue that  
24 the option will result is less comparability  
25 because IFRS won't get you there.



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2 Another issue asks the question:  
3 will the option result in cost savings for U.S.  
4 public companies?

5 And the pro view says:  
6 absolutely. The example of a U.S. public company  
7 having operations obviously in the U.S. but also  
8 overseas, and at a minimum having to apply two  
9 different sets of external financial reporting  
10 standards, if that U.S. public company can do  
11 IFRS here and they can do IFRS overseas, bingo,  
12 you have a cost savings.

13 The con view on this would say:  
14 we agree with that. We agree that that is a cost  
15 savings for the preparer. But the cons would say  
16 you have to look at cost in a broader context.  
17 You can't just look at the preparation cost of  
18 financial information. You got to consider the  
19 cost to the system.

20 And the cons would suggest that  
21 it would be a cost to the users and for the  
22 capital markets because IFRS is not yet there as  
23 a high enough quality.

24 Another issue gets to be, IASB  
25 itself, the very promulgators of International

1  
2 Financial Reporting Standards, and the question  
3 is, is the IASB itself ready for prime time.

4 And please no snickers in the  
5 audience from those who would say that maybe the  
6 FASB is not ready for prime time.

7 (Laughter.)

8 MR. DAN NOLL: But on this  
9 point the pros would say, let's do this one  
10 clockwise in a square. The pros would say: of  
11 course IASB is ready for prime time. Their due  
12 process is very similar to FASB. They go through  
13 the same type of public exposure, thought  
14 considerations, the comments, all of that good  
15 stuff.

16 But the cons would say: we all  
17 know that the FASB over the years, over its  
18 decades has been subject at times to some intense  
19 political pressure.

20 They would say, now magnify that  
21 for the IASB because the IASB has got it  
22 multiplied by the number of companies in the  
23 world looking to weigh in and share their  
24 thoughts on IFRS. And they view that as a con.

25 The cons would also consider a

2 suggested note that by going to IFRS, including  
3 allowing for the option, the U.S. constituents  
4 would have less influence on the ultimate outcome  
5 of those IFRS standards, just a very logical  
6 conclusion, just as today you have the U.S.  
7 constituents weighing in to the FASB. As it  
8 relates to IFRS, the U.S. constituents are just  
9 one of one big world bucket.

10 But what the pros would then  
11 come around to say is, look, if we all agree with  
12 the idea of trying to converge to a single set of  
13 high quality standards, then the U.S. and every  
14 other nation in the world is going to have to  
15 give up some influence. It's just the nature of  
16 the beast. And they would argue that it's a  
17 worthy goal.

18 Another issue asks the question:  
19 is the regulatory environment here in the U.S.  
20 conducive to allowing for the option?

21 And the pros on this wouldn't  
22 say yes, but what they would say is, that they're  
23 optimistic if we could get the regulatory  
24 environment, the litigation environment here in  
25 the U.S. to change, then that would be conducive

2 to IFRS because that would get to the point where  
3 the system could be more accepting of reasoned  
4 judgments even if those judgments result in some  
5 different accounting in certain instances.

6 The con side would say: hey, we  
7 agree. We agree with you on that point, but we're  
8 a bit more skeptical, pessimistic.

9 The con side would say: no time  
10 soon, if ever at all, are we going to get to a  
11 point where the regulatory system and the  
12 litigation system is going to be more accepting  
13 of reasoned judgments.

14 Another issue asks the question:  
15 is the U.S. support system ready for the option,  
16 if some U.S. companies go to the IFRS accounting?

17 The pro side would say: yes, the  
18 system is ready.

19 And the premise of their belief  
20 on this one is that there will not be many U.S.  
21 public companies who will be ready from the get-  
22 go to flip the switch and try to go over to IFRS.

23 The con side would say: we don't  
24 agree with your premise. We think that there's  
25 going to be a lot more companies than you think

2 who are going to look to go to IFRS from the get-  
3 go. And then that means the whole education and  
4 support system is not going to be yet ready to  
5 handle that.

6 And they would argue that a  
7 profession, as well as other participants in the  
8 capital market system, the financial reporting  
9 system, in the U.S. are already overburdened.

10 Another issue, if you haven't  
11 had enough already, another issue asks the  
12 question: should we trust the marketplace to make  
13 the final decision, the accept/reject decision on  
14 IFRS?

15 And the pro side would say:  
16 absolutely, yes. We should trust the marketplace  
17 to see if this is going to work and if this is  
18 truly the future for us.

19 So they would say: let's put it  
20 out there, let's give the option to U.S. public  
21 companies. And remember their premise: they would  
22 say, well, there aren't going to be that many  
23 to go to IFRS in the first place. So we can kind  
24 of see how it goes. Let's trust the marketplace.

25 Well, the con view would say:

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we're not as trusting of the marketplace.

First of all, the cons would argue that users and investors and lenders and those types are going to be a bit confused because you are going to have U.S. companies in the same industry potentially following two different sets of accounting standards, U.S. GAAP and IFRS.

But more importantly to the con view, they would argue that it won't be the marketplace who is the final arbiter of whether IFRS is high enough quality, but rather the courts.

On a Monday morning quarterbacking, when something goes wrong, and CPA professionals have acted in good faith, they would say that's their greatest fear on this one.

And this brings us to our last issue. And it asks the question: will allowing the IFRS option for U.S. public companies help or hurt the cause of convergence.

And the pro side would say it will help, or a minimum, it will be a neutral impact on convergence. They believe that the time

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has come under a nice step approach like this by allowing the option to demonstrate that IFRS really is there, it is high quality and evidenced by how it is being used all throughout the world.

The con side would say: no, we believe that allowing the option would act as a disincentive to the IASB in the continuing efforts for the IASB and FASB to converge the standards.

And their logic to that is that the political pressures and forces for the IASB would say, ah ha, the U.S. system has caved in and that means that they think IFRS is good enough. Okay, IASB, now you can slack off a little bit. You don't have to keep driving so hard for convergence. And, by the way, we may not like some of the answers you would come up with anyway.

So, pretty easy stuff; right?

With that I'll turn it back to Paul.

(Laughter.)

MR. PAUL STAHLIN: And despite his cold, this little guy from Brooklyn has a lot

1  
2 of passion about his subject wouldn't you say?

3 (Laughter.)

4 MR. PAUL STAHLIN: He's not  
5 just a pretty face.

6 (Laughter.)

7 MR. PAUL STAHLIN: Well, now  
8 you have seen and heard the major issues related  
9 to IFRS. I hope you haven't been thoroughly  
10 confused because it is a very pointed discussion.

11 But the options and the various  
12 thoughts on those are very clear.

13 I would like to turn this, turn  
14 to the Board's tentative AICPA positions for a  
15 comment letter.

16 The Board began discussing this  
17 at its last meeting in depth, and then met again  
18 last week during a conference call.

19 Here is the Board's tentative  
20 thinking on the points for the AICPA comment  
21 letter.

22 We support, first, a single set  
23 of high quality global accounting standards for  
24 public companies.

25 You know, many of us would agree



1  
2 that one common accounting language worldwide  
3 would be desirable.

4           You know, secondly, we support  
5 allowing IFRS-pure option for U.S. public  
6 companies, but let's not let up on the other  
7 convergence issues.

8           I would like to emphasize the  
9 current FASB and IASB convergence efforts must  
10 continue at full speed. That is critical.

11           Point three, regulators should  
12 have a converged approach to enforcing  
13 accounting.

14           All the best intentions on  
15 convergence, on allowing the option, would be for  
16 naught if regulators here and abroad are off  
17 doing their own thing in terms of how and to what  
18 level of detail they enforce the accounting  
19 standards.

20           One key premise is that a  
21 manageable number of U.S. companies will seek the  
22 IFRS option initially. So system-wide readiness  
23 is not critical to supporting the option.

24           We recommend that the SEC assess  
25 the accuracy of this premise before giving a

1  
2 green light on that option. The premise is key  
3 because if you believe otherwise, the system  
4 readiness to handle the volume of U.S. companies  
5 looking to convert to IFRS would be a major  
6 concern.

7 We believe it would be wise for  
8 the SEC to assess the population of U.S. public  
9 companies that truly might switch to IFRS in the  
10 near future before giving that green light to go  
11 ahead.

12 Some other points we're  
13 considering for the comment letter.

14 Point A: to achieve the ultimate  
15 goal of one set of accounting standards, changes  
16 are also needed in the U.S. and abroad in the  
17 auditing, regulatory and litigation areas.

18 The more we discuss this topic,  
19 the more we realize that one cannot discuss  
20 convergence of accounting standards in a vacuum.

21 We keep coming back to our  
22 belief that if convergence of the accounting  
23 standards is ever going to happen, some other  
24 things will have to happen in addition.

25 In other words, we are going to

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need changes in the entire system of financial reporting, of which accounting is just one piece.

For example, in auditing, our own Auditing Standards Board is converging. We believe the PCAOB must also converge.

In the regulatory environment we believe the enforcement approach needs to respect judgment and less detailed standards.

In the litigation environment, we believe reform is needed to accept judgment and, again, less detailed standards.

Point B: our views are limited to IFRS for public companies. A separate dedicated study would be needed to decide what works best for non-public companies.

Also, one might reasonably expect that the marketplace would drive the accounting in this area.

And, finally, on Point C, we believe the SEC should have a comprehensive plan to solicit user feedback after U.S. companies begin using IFRS.

And now we come to a very important request of Council. We would like to

1  
2 engage you in table discussions on the answers to  
3 these two questions.

4           Again, should U.S. public  
5 companies have the option to follow International  
6 Financial Reporting Standards, IFRS, instead of  
7 U.S. GAAP? Yes or no.

8           Please provide your top two  
9 reasons as a basis.

10           And, secondly, if you answer yes  
11 to question one, do you have any qualifications  
12 or conditions for that support?

13           Please give your focus on public  
14 companies.

15           Now, procedurally, we would like  
16 you to elect a reporter to capture any table  
17 consensus on the colorful green form that you  
18 have in front of you.

19           And also we would like you  
20 individually to report your own views on the pink  
21 colored sheet in front of you.

22           Then as we break, please bring  
23 all sheets, we mentioned before, to the  
24 registration desk. Actually there will be a desk  
25 outside of the lunch area.

1  
2 And you have until 12:15 to  
3 complete this.

4 If you have any questions, the  
5 AICPA reps will be circling around that could  
6 answer any questions.

7 Speaking on behalf of the Board,  
8 thank you very much for participating.

9 (Applause.)

10 (Time noted - 11:27 o'clock  
11 a.m.)

12 (Tabletop discussions.)

13 (Luncheon with address of newly  
14 elected Chair Randy Fletchall.)

15 (Which were all the proceedings  
16 of the 2007 Annual Members Meeting which was  
17 concluded at 1:35 o'clock p.m.)

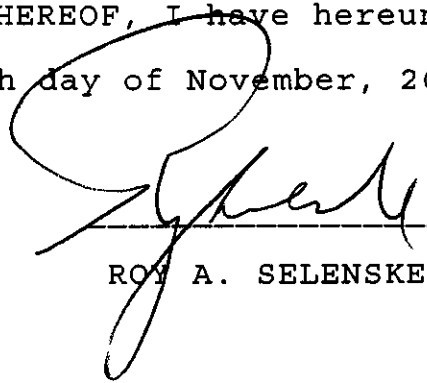
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STATE OF NEW YORK )  
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I, ROY A. SELENSKE, a Certified Shorthand  
(Stenotype) Reporter and Notary Public  
within and for the State of New York, do  
hereby certify that the foregoing pages 1  
through 60 taken at the time and place  
aforesaid, is a true and correct  
transcription of my shorthand notes.

IN WITNESS WHEREOF, I have hereunto set my  
name this 24th day of November, 2007.

  
\_\_\_\_\_

ROY A. SELENSKE, C.S.R.

\* \* \*