



Pennsylvania Institute of
Certified Public Accountants

1650 Arch Street
17th Floor
Philadelphia, PA 19103-2099
(215) 496-9272
(888) 272-2001 (in PA only)
fax (215) 496-9212
<http://www.picpa.org>
E-mail: info@picpa.org

100 Pine Street
Suite 275
Harrisburg, PA 17101-1206
(717) 232-1821
fax (717) 232-7708

1925 Koppers Building
436 7th Ave.
Pittsburgh, PA 15219-1818
(412) 261-6966
fax (412) 391-2033

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August 15, 2006

Technical Director
Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, Connecticut 06856-5116

Re: File Reference 1310-100

The Accounting and Auditing Committee (the "Committee") of the Pennsylvania Institute of CPAs ("PICPA") commends the efforts of the AICPA and FASB in issuing the joint proposal *Enhancing the Financial Accounting and Reporting Standard-Setting Process for Private Companies* and welcomes the opportunity to comment.

The Committee believes that the proposed enhancements to the standard setting process are a significant step in addressing the financial accounting and reporting needs of private companies. The Committee is pleased to see the FASB spearhead the effort to "maintain the quality and acceptance of GAAP" and more deliberately "consider the input of the users, preparers, and auditors of financial reports of private companies". Some committee members remain skeptical that the FASB will make decisions based on the input from private companies. The ultimate success of the enhanced process is dependent upon the quality of the input from private company constituents and the FASB's willingness to allow for differences in the standards to address differing user needs and cost-benefit considerations.

We are concerned about the quality and quantity of the responses from private companies. Small business owners and other non-issuers may not feel comfortable or sufficiently versed in accounting terminology to respond to a FASB exposure draft. We therefore recommend that the proposed committee have a full-time technical staff, paid by the AICPA, to serve as a small business / non-issuer advocate.



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We agree that the proposed committee should operate autonomously, setting its own agenda and priorities. The proposed committee composition and objectives are good. The number of proposed meetings per year appears appropriate. At the same time, the FASB's commitment to considering the committee's recommendations is vague. Specifically objective #2 and #3 under paragraph 22 notes that "The FASB will address the Committee's recommendations." We believe that FASB should include a regularly scheduled standing agenda item to consider the committee's recommendations or that the FASB should more clearly articulate its process for addressing the committee's recommendations. Additionally, due to the significant time commitment required of the proposed Committee chair, we recommend that a full time administrative staff liaison, paid by the AICPA, be engaged to facilitate the operations of the Committee.

The Committee remains hopeful that the process will yield a greater input from private company constituents and more deliberate consideration from the FASB in connection with the standard setting process.

The Committee also noted that such initiatives have been undertaken in the past which are documented in *Report of the Private Companies Practice Section Special Task Force on Standards Overload*, August 1, 1996, and *Tentative Conclusions and Recommendations of the Special Committee on Accounting Standards Overload*, December 23, 1981. While these special reports, among others, addressed the same issues contained in the current Invitation to Comment, no substantive solutions to the problem have been found. We trust that the current proposal will be successful in that effort.

We appreciate your consideration of our comments. We are available to discuss any of these comments with you at your convenience.

Sincerely,

A handwritten signature in cursive script that reads "Edward J. Straley" followed by the initials "ESGK".

Edward J. Straley, CPA
Chairman, PICPA Accounting and Auditing Procedures Committee