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August 15, 2006

Technical Director
File Reference 1310-100
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

RE: Invitation to Comment: Enhancing the Financial and Reporting Standard-Setting Process for Private Companies (File Reference 1310-100)

Dear Director:

We appreciate the opportunity to respond to the joint Invitation to Comment issued by the Financial Accounting Standards Board and the American Institute of Certified Public Accountants on enhancing the financial accounting and reporting standard-setting process for private companies. We support the proposals in the Invitation to Comment that aim to increase input to the FASB's standard-setting process from private company constituents. Participation by preparers, users, auditors and other interested parties is essential to the Board's mission to establish accounting standards that improve the usefulness of financial reporting. Accordingly, we support the objective of the proposals to improve and encourage increased input from private company constituents to the FASB's standard-setting process. We also agree with the statement in the Invitation to Comment that the objective of the proposals should not be to create a separate, new set of GAAP requirements for private companies.

Needs of investors and other users of financial statements

As described in the FASB's recently issued Preliminary Views document from Phase A of the conceptual framework project, both the FASB and IASB have concluded that the information needs of investors, creditors and other external users of financial information generally are the same regardless of the ownership structure or size of the entity.¹ Additionally, the Boards concluded that differences in reporting for some types of entities should be based on cost-benefit considerations, not different financial reporting objectives. We agree with these conclusions and we believe, consistent with the FASB's

¹ FASB Preliminary Views, Conceptual Framework for Financial Reporting: Objective of Financial Reporting and Qualitative Characteristics of Decision-Useful Financial Reporting Information, July 6, 2006.

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past practices, that differential requirements generally should be limited to disclosures, transition, and effective dates. Unless it can be demonstrated that the needs of users of private-company financial statements differ significantly from users of other companies' financial statements, there should be no differences in the recognition and measurement provisions of accounting standards used in preparing general-purpose financial statements. That is, the types of transactions entered into by an entity should determine the accounting for the transactions, not the ownership of the entity.

Differential accounting requirements for recognition and measurement may reduce company-to-company comparability, introduce confusion in the user community, and significantly increase the cost to companies wishing to access public markets for the first time. In the future, if the Board concludes significant differences should exist in the financial reporting requirements for public and private companies, we believe that the financial reporting framework and requirements established for private companies should be clearly distinguished from the financial reporting framework and requirements for public companies.

Committee on accounting standards for private companies

We support the proposals to improve and encourage greater input from private company constituents, including the proposed Committee. We believe the mission of the Committee should be to provide greater private company input to the FASB's standard setting process with the objective of promoting the development of high-quality, cost-effective standards. In that regard, we support the broad objectives of the Committee described in the Invitation to Comment – to serve as a resource to the FASB, to make recommendations on FASB proposals, and to evaluate whether existing standards provide decision-useful information to users of private company financial statements in a cost-beneficial way. We believe the Committee's input to the FASB will assist the Board in developing high-quality, principle-based standards for all entities.

Because the Committee is not a standard-setting body, the proposed public due-process procedures are not necessary for it to achieve its objectives. We believe that the Committee should have the flexibility to discuss issues outside of formal public meetings. Recommendations by the Committee to the Board should be provided in documents that are publicly available as is the case for other comment letters. Meetings with the Board should be conducted in accordance with the Board's public, due-process operating procedures as is the case when the Board meets with other constituent groups. The Board should consider the recommendations made by the proposed Committee and document significant considerations and deliberations on those recommendations in the basis for conclusions section of the standard.

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We believe that the proposed Committee should set its own agenda and priorities and its members should not be compensated beyond reasonable reimbursement of travel-related expenses.

Improvements in the standard setting process

We believe that the needs of investors and other users of financial statements are best served by a single set of high-quality, principle-based standards. Improvements in those standards will benefit all constituents of the financial accounting and reporting process, including private company constituents. In that regard, we believe that the FASB should continue its efforts to develop high-quality, principle-based standards, write standards in unambiguous and easy-to-understand language, actively seek input from all its constituents, and facilitate access and retrievability of the accounting literature through its codification project. Additionally, the Board should continue to focus on understanding the needs of users (including users of private company financial statements), reducing the complexity of its standards, and providing practical implementation guidance to promote the understandability and consistent application of its standards. We believe that implementation of these suggestions would address many of the concerns expressed by private company constituents regarding the complexity and cost of applying GAAP.

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If you have questions about our comments, please contact Mark Bielstein at (212) 909-5419, Paul Munter at (212) 909-5567, or Landon Westerlund at (212) 909-5553.

Sincerely,

KPMG LLP

cc:
Daniel Noll, Director – Accounting Standards
American Institute of Certified Public Accountants