

To: CommentLetters
From: John Rose

The Joint Proposal (Enhancing the Financial Accounting and Reporting Standard-Setting Process for Private Companies) by the Financial Accounting Standards Board and the American Institute of Certified Public Accounts is an excellent start. As past surveys have indicated, some users do not believe that certain pronouncements should be adopted by private companies. I wanted to comment on the "Issues for Respondents" in the report.

1. Do you believe the proposal contained in paragraphs 16-29 will improve the accounting standard-setting process for private companies?
2. Specific to paragraphs 16-29 do you believe the proposed changes will help ensure that the financial reporting needs of constituents of private companies are met?
3. The FASB and the AICPA believe that any differences in generally accepted accounting principles (GAAP) for private companies should be based on financial statement user needs and cost-benefit considerations. Do you agree?

Response to Questions 1 through 3:

The information in paragraphs 16-29 is a good premise for developing differences, if warranted. I would hope that the committee gives extra consideration to the views of the core group (users, financial management/owners of private companies, and auditing practitioners who primarily work with private companies) over theoretical beliefs. While theory is the basis for many pronouncements, it is not meaningful if the core group does not believe it is. By taking this groups views seriously, it will help ensure that the financial reporting needs of constituents of private companies are met. I also believe that the cost-benefit implications should be a consideration for differences in GAAP for private companies. I believe that many current pronouncements do not consider the cost-benefits for private companies.

As stated in the proposal, it is not the intent to create a set of separate GAAP requirements for private companies. I would urge you to consider the current process in place that excludes reporting requirements for entities with levels of sales or assets below a certain threshold. While I do not believe this is the best approach, it is however a starting point. Also, private companies can be exempt from certain pronouncements. As your objective is not to create a separate set of GAAP requirements, one GAAP can still exist with exceptions in the requirements for specific pronouncements that would exclude private companies.

I work for a CPA firm that the largest part of our practice is audits of private (for-profit) companies. Many current pronouncements such as, FIN 46(R), FIN 45, FAS No. 123, FAS No. 130, FAS No. 142 do not have much meaning to the users of the financial statements (lenders/creditors), as well the private companies. In many of these instances, the private companies and the lenders/creditors do not fully understand these pronouncements. In addition, the private companies do not believe they provide any benefit and the costs are not warranted.

4. The FASB and the AICPA believe that members of the committee (except the chair) should not be compensated beyond a reasonable reimbursement of expenses. Do you agree?

Response to Question 4:

While I respect the FASB and the AICPA's opinion, I believe that the members of the committee should be compensated. This will ensure that the best candidates are attracted to the apply for the positions on the committee. It is a very important topic as past surveys have shown. I believe that the best people need to be involved in the process for it to work. Paid members will have a vested interest.

5. The FASB and the AICPA believe the committee should set its own agenda and priorities. Do you agree?

Response to Question 5:

I do believe that these organizations should set its own agenda and priorities in an effort to keep the committee focused. However, the committee should give a great deal of consideration to the comments by users, financial management/owners of private companies, and auditing practitioners who primarily work with private companies, as this area directly impacts these groups .

Thank you for your consideration.

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