



The Connecticut Society of Certified Public Accountants

advocacy • community • education

August 15, 2006

Technical Director Financial Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856
Via email

File Reference 1310-100

The members of the Accounting and Reporting Standards Committee of the Connecticut Society of Certified Public Accountants are pleased to submit their comments on the invitation to comment, Enhancing the Financial Accounting and Reporting Standard-Setting Process for Private Companies.

The views expressed in this letter are those of the Accounting and Reporting Standards Committee. Those views are not necessarily the view of the membership of the Connecticut Society of Certified Public Accountants.

We appreciate the opportunity to present our comments. Should there be any questions, please feel free to contact Larry Gramling, Chair of the Accounting and Reporting Standards Committee at 860-486-2892.

Very truly yours,

Lawrence J. Gramling, Ph.D, CPA
Connecticut Society of Certified Public Accountants
Accounting and Reporting Standards Committee Chair

**CSCPA Response to PCFR:
*Enhancing the Financial Accounting and Reporting Standard-Setting
Process for Private Companies*
August 15, 2006**

The following represents the response to the Private Company Financial Reporting (PCFR) proposal *Enhancing the Financial Accounting and Reporting Standard-Setting Process for Private Companies* by the Accounting & Reporting Standards Committee (“ARSC”) of the Connecticut Society of Certified Public Accountants (“CSCPA”).

During the past few years, the ARSC has been proactive in the area of addressing the needs of the practitioners and preparers of private company financial statements, especially among the CSCPA’s membership. These efforts have resulted in initiatives during which representatives of the ARSC have twice visited the FASB, first to discuss the workings of the FASB’s Small Business Advisory Committee (“SBAC”) and later to observe the semiannual meeting of the SBAC.

We hope to continue our efforts and to keep open the dialogue between the members of the ARSC and the SBAC as well as participate in, and contribute to, the efforts of the PCFR group.

Specific Questions concerning Modifications to the Standard-Setting Process to Improve Private Company Financial Reporting (para. 16 – 29.)

1. *Do you believe the proposal contained in paragraphs 16-29 will improve accounting standard-setting process for private companies?*

Yes, an open exchange, solicited by the FASB, should greatly improve accounting standard-setting. As a first step in proposing any new standard, the FASB must consistently seek input from private company financial statement users and the preparers of those financial statements. The preparers are frequently a combination of those charged with financial statement preparation and reporting at the private companies themselves as well as their independent accounting firms.

2. *Specific to paragraphs 16-29 do you believe that the proposed changes will help ensure that the financial reporting needs of constituents of private companies are met?*

As the CSCPA has been at the forefront of our members’ needs in the private company financial accounting and reporting area, we believe *strongly* that the PCFR should continue to stress the needs of the constituents. Specifically the FASB should continue to emphasize the decision-usefulness and relevance qualities of financial information in considering the accounting standards that are being proposed for all companies.

**CSCPA Response to PCFR:
Enhancing the Financial Accounting and Reporting Standard-Setting Process for Private
Companies
August 15, 2006 (Continued)**

3. *The FASB and the AICPA believe that any differences in GAAP for private companies should be based on financial statement user needs and cost-benefit considerations. Do you agree?*

Cost-benefit considerations are always an issue with new accounting standards as new standards usually entail an additional cost to the preparers because of the necessary changes to the accounting systems or process from which the accounting and reporting emanates. However, the overriding consideration for differences between GAAP for public and private companies should be *relevance* of the standard to the users.

Although delayed implementation of new accounting standards for private companies has often been a welcomed reprieve, it has been just that, a *temporary* relief! We urge the PCFR to consider that if a new standard is not worth implementing *all at once for all companies*, how *relevant* can it be? Why then is making a new standard effective one or two years later an option if a standard is not relevant (e.g. FIN 46R)? It seems that either a standard should apply or not; delaying the inevitable with the standard's implementation does not help private companies in the long run if the standard and its requirements are not relevant to the users needs.

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?*

While some ARSC committee members had no opinion concerning compensation for committee members, there were those who believe strongly that compensation should be paid and should be tied to attendance at meetings.

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

As long as FASB continues to reach out to interested parties to determine issues of interest to the private companies reporting community, setting of the agenda and priorities should not be a problem.