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Mr. Lawrence W. Smith
Director – Technical Application and Implementation Activities
Financial Accounting Standards Board
Norwalk, Connecticut

VIA E-mail commentletters@pcfr.org

File Reference – 1310-100

Dear Mr. Smith:

First, please be aware how much we appreciate the efforts of both the FASB and the AICPA in developing the Invitation to Comment, entitled *Enhancing the Financial Accounting and Reporting Standard-Setting Process for Private Companies*.

While we recognize that complex issues often need to be addressed in the accounting guidance, some of the requirements associated with preparing financial statements using generally accepted accounting principles [GAAP] have just become too burdensome for many private companies. Many clients are choosing to abandon GAAP-based financial statements and converting to those prepared using an other comprehensive basis of accounting [OCBOA]. And, in those circumstances where GAAP-based financial statements continue to be prepared, it is not uncommon for audit, review, and compilation reports to be modified because of GAAP departures in the financial statements. We believe that driving reporting entities to using bases of accounting other than GAAP and having CPA firms modify reports on financial statements because of GAAP departures will have the effect of eroding the quality of financial reporting by private companies.

Our responses to the questions where the FASB and the AICPA are requesting feedback on the Invitation to Comment are included in this overall response below. In summary, we agree with the FASB and the AICPA related to the importance of this project, and we are very hopeful that the decision will be made to implement the proposed guidance that should be helpful in developing high-quality accounting standards for use by private companies in accomplishing their financial reporting objectives.

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

We strongly agree with the FASB and the AICPA that there is a need to formalize the process related to considering the specific needs of private companies in developing accounting standards that must be utilized in GAAP-based financial statements.

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?

We strongly agree with the FASB and the AICPA that the proposed changes should have the result of enhancing the input of private company financial reporting constituents to the accounting standard-setting process.

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?

We strongly agree with the FASB and the AICPA that any elements of differentiation within the accounting standards for private companies should be considered using the user-needs and cost-benefit criteria.

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?

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

We feel that the members of the committee should be uncompensated volunteers and should set their own agenda and priorities. They should be active in the financial community and familiar with private company financial statements. These committee members should include a member of public accounting, a lender, owner/management of a private company and a bonding agent or similar other users of private company financial statements.

We appreciate the opportunity to provide feedback on the Invitation to Comment. And, we look forward to continuing progress by the FASB and the AICPA related to this important work.

Sincerely,

BARNARD, VOGLER & CO.



Michael E. Davis
Director of Accounting & Auditing

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