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**Financial Accounting Series No. 1310-100 – *Enhancing the Financial Accounting and Reporting Standard-Setting Process for private Companies***

To Whom It May Concern:

Our Accounting & Auditing Department has considered the Joint Proposal mentioned above and crafted a consensus comment letter. We are strongly in favor of changing the current process to provide more private company input and consideration than has been present in the past. Please recognize that when we use the terms “private company” and “public company”, we are using this interchangeably with “small and medium-sized companies” and “large company”. We believe this may be a large company versus small company issue, as well as private company versus public company issue.

Our firm’s practice consists of small to medium-sized private companies (we have no public clients) that are struggling to comply with the recent barrage of accounting pronouncements aimed at addressing issues for public companies. While we understand the necessity for many of these changes from a public company standpoint, these changes to GAAP for private companies have less relevance, no benefit to the management or outside users of the financials statements, and no cost-benefit consideration. In some cases, the cost for the client to hire someone to assist them in complying with the standards far exceeds our fees as their CPA firm. There needs to be recognition that not all the private companies are even required to have audited financial statements. When you compare the cost of compliance with the cost of reviewed and even compiled financial statements, the disparity is even greater.

The private company client typically knows all the users of their financial statements and has direct relationships with them (e.g. banks, bonding companies, vendors, customers, etc). In many cases, we find ourselves explaining the new standards with these users and discussing the merits of GAAP departure financial statements. The frequency of issuing GAAP departure financial statements has risen dramatically in the past several years. This directly speaks to the relevance and usefulness of GAAP financial statements. Other clients are contemplating changing the form of transactions because of the cost of compliance. This occurred years ago with the changes in the requirements for defined benefit plans and is now occurring with the stock option accounting.

As a result, we are in favor of differential accounting standards and any changes to the standard-setting procedures that will allow this to occur.

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Here are our responses to your specific questions outlined in the invitation to comment:

1. Yes.
2. It should. However, the background of the individuals involved in the process and their ability to address the concerns of the constituency impacted by the standards is the key ingredient to the success or failure of the procedures.
3. Absolutely.
4. We do not agree. One key voice is the local CPA from small firms that represents a majority of the members of the AICPA. They cannot afford to spend time on committees of this nature at the expense of them servicing their clients and generating revenue. We believe these individuals should be compensated for their time.
5. Yes, but there needs to be procedures in place so the constituency that they represent have a direct line of input so the concerns of the masses are supported in the process.

Sincerely,

*Beach, Fleischer & Co., P.C.*