



# THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA

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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

Re: Financial Accounting Series, Invitation to Comment, “Enhancing the Financial Accounting and Reporting Standard-Setting Process for Private Companies”

Dear Chairman Herz and Board Members:

The Associated General Contractors of America Tax & Fiscal Affairs Committee appreciates the opportunity to comment on the above referenced proposal. Our committee consists of representatives from small-to-large public and private construction companies, small-to-Big 4 public accounting firms, SEC and private companies, banks, sureties, and insurance agencies. We discussed among ourselves in June 2006 this proposal and we wish to provide you with our comments and perspective regarding your five questions.

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

- FASB has already begun to reach out to small, nonpublic businesses through its Small Business Advisory Committee (which includes a member of our committee). We have had several FASB Board members and staff attend our committee meetings and they have received significant input from our members. The addition of this new committee will not guarantee improvement to the system, but it would be another strong stride toward gaining timely input from users and issuers of financial statements.

**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?**

- The financial reporting needs are currently being met, although in a sometimes confusing manner. As current and future standards are addressed, the disclosure of the nature of a specific transaction (similar to related party and affiliate transactions) is normally sufficient to allow users of private company financial statements to ask for more details if it is important to them. Unlike public issuers, users of private company financial statements generally are able to inquire directly to management to request additional specific information or disclosures.

**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.**

- GAAP standards will never be able to meet every need of all users. Providing basic financial statements for the reporting company with adequate disclosure of other business activities is generally sufficient for private companies. Users will generally seek additional specific information from issuers.
- The cost-benefit consideration should consider both the user and the issuer. The user may want a tremendous amount of information when the issuer has to pay for it. Please consider what the issuer can provide on their own without outside consultants or CPA costs. When possible, the cost-benefit may be defined in asset or revenue size of private company in determining the applicability of GAAP standards.

**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?**

- We believe that this committee will require significant time to properly participate in the process. The individuals who would serve on this committee would be highly compensated and important to the surety, bank, government regulator, insurance agency, private company, CPA firm, etc. that employs them. Therefore, we believe that the members of the committee should be compensated so we have the best-and-brightest giving the proper amount of time and effort to this committee.

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

- Yes. However, the committee should always respond to FASB's request for comments to provide a private company perspective regarding the issue at hand.

We have appreciated the opportunity to work with FASB since SFAS 150 was first issued. You listened to our committee and other private company issuers regarding the impact of that standard under certain circumstances and created an exception to the rule that made sense. The interaction of this new committee with FASB has the potential to create necessary GAAP appropriate for both public and private issuers and users of financial statements.

Sincerely,

*Heidi Blumenthal*

Heidi Blumenthal  
Associated General Contractors of America  
Tax & Fiscal Affairs Committee