



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

VIA [EMAIL-commentsletters@pcfr.org](mailto:EMAIL-commentsletters@pcfr.org)

Dear Mr. Smith:

The correspondence following is related to the Invitation to Comment entitled "Enhancing the Financial Accounting and Reporting Standard Setting Process for Private Companies". We certainly appreciate all the work that has gotten this proposal to this point by all those involved in the process. We believe that the results of this could be critical to the future of the way private companies present their financial statements. We have followed this work over the past several years, participated in the Task Force surveys and have encouraged end users to do the same. On behalf of all of those that we encouraged to respond, thank you for the work to date.

The invitation to comment asked that certain questions be addressed and accordingly our responses will be in that manner.

***Do you believe the proposal will improve the standard-setting process for private companies?***

We believe without question that this will very much improve the process. The standard setting process seems geared currently towards the reporting needs of the public company environment. Our client base is comprised of private companies to a large degree. We have seen many of our clients opt out of traditional reporting under generally accepted accounting principles (GAAP) and either report on an OCBOA (most often a tax basis) or accept reports that contain language that reports the departure from GAAP on which they have chosen to report. In speaking with the end users of the financial statement, which is most often the financial institution that is requiring the financial statements to be prepared, they are in complete agreement with the departure and believe that reporting under the current standards is of no relevance.

To give an example that many of our clients have struggled with recently is Financial Interpretation Number 46 (FIN 46). In speaking with the end user of the financial statements that have had to consolidate ( or in many cases just take the departure), they believe disclosure of the relationship is adequate for their needs rather than have to report under current guidance.

We believe that needs of the users of private company financial statements differ greatly in most cases from public companies and a proposal that would allow standard setting to be different would enhance the needs of most private companies.

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***Do you believe that the proposed changes will help ensure that the financial reporting needs of constituents of private companies are met?***

We are in complete agreement with this. Many times it seems the effect on private companies is not considered before standards are issued. This new model, which would involve the users to be part of the process, would improve the chances that all matters are taken into consideration before a standard is issued. It would further reduce the likelihood that the related standard has to be amended for effects that were never taken into consideration.

***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 are in complete agreement that any differences should be based on user-needs and cost-benefit considerations. This will certainly not be an easy task but it is one that is mission critical to the success of the proposal. This concept should really be the driving force behind this whole initiative.

***The FASB and the AICPA believe that the members of this committee should be compensated beyond reasonable reimbursement of expenses. Do you agree?***

We are in complete agreement with this. It is critical that the correct people be retained to work on such a monumental project. It is expected that small firm representation will be needed. Some of these individuals might not have the financial ability to participate and be away from their firms without such compensation.

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

We are in complete agreement with this. Obviously, the FASB agenda will need to be considered, but there will be much initial work to undertake as current standards are reviewed for potential needed change.

Again, we very much appreciate all the effort that has gotten this proposal this far and look forward to the continued progress of the initiative.

**John A. Litchfield, Jr.  
Shareholder in Charge  
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