



August 28, 2006

Technical Director—File Reference 1310-100
Financial Accounting Standards Board
401 Merritt 7
P. O. Box 5116
Norwalk, CT 06856-5116

To Whom It May Concern:

Re: Private Company Financial Reporting

On behalf of the Texas Society of Certified Public Accountants (TSCPA), its Executive Board is pleased to have the opportunity to respond to your invitation to comment on your Joint Proposal for Enhancing the Financial Accounting and Reporting Standard-Setting Process for Private Companies. We have previously commented on this issue on May 14, 2004, to the American Institute of Certified Public Accountants (AICPA) in response to a proposal issued by the Pennsylvania Institute of CPAs (PICPA) titled *American GAAP, An Alternative to Governmental Proscribed GAAP*. In that comment letter, we generally supported the PICPA proposal, but we differed with it in that we believed that the AICPA, rather than a new organization, should establish private company accounting standards.

We believe that the joint proposal before us now is significantly responsive to our previous comment letter as it pertained to GAAP and represents a positive step in the effort to recognize and establish cost-effective financial accounting and reporting standards for private companies.

While we believe that the proposed changes in the standard-setting process is an improvement in the effort to meet the financial reporting needs of private company constituents, we do have concerns about how the Financial Accounting Standards Board (FASB) will respond to the new Committee to be formed for the purpose of assisting the FASB in determining whether there should be differences in existing and prospective accounting standards for private companies. The actual benefits of the proposal will depend on two factors: 1.) how well the Committee functions in evaluating new exposure drafts and existing standards and making recommendations regarding how those proposed and existing standards should address the needs and cost-benefits of private company financial report users, and 2.) how seriously the FASB considers the Committee's recommendations. We are encouraged by the participation of the AICPA in this joint effort, but stress to the FASB the importance of its giving proper weight to the Committee.

We concur that differences in GAAP for private companies should be based on user needs and cost-benefit considerations.

We agree that, given the proposed meeting schedule and the staffing support to be provided, the Committee members could work without compensation. However, should the commitment of time required to address both existing and proposed standards require significantly more time than contemplated, we believe the FASB and AICPA should be willing to consider some compensation for the Committee members.

We also agree that the Committee should set its own agenda and priorities. It should function with the greatest possible autonomy. We do have concerns about the wording of paragraph 24, which states that

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the "Committee should be allowed a certain level of autonomy." The choice of wording here seems to imply a more limited autonomy than we believe is required. We would prefer to have the proposal specify that the "Committee should be allowed a significant level of autonomy."

The current climate of intensified regulation and the resulting increases in the cost of compliance with financial accounting and reporting standards has imposed a disproportionate burden on private companies, which are usually smaller in size and resources. It is critical for their compliance with those standards and, therefore, for the overall quality of the financial information available to the private company constituency, that the standards applicable to them should be based on their needs and meet reasonable cost-benefit considerations. We are pleased that the FASB and AICPA are addressing this issue as evidenced by this proposal. If the Committee functions as described and the FASB responds to it as intended, we believe the result can be positive for financial reporting by private companies.

Thank you for the effort made by both the FASB and the AICPA and for allowing us to comment on the proposal.

Sincerely,

A handwritten signature in black ink, appearing to read "Jerry L. Love". The signature is written in a cursive, flowing style.

Jerry L. Love, CPA
Chairman, Texas Society of Certified Public Accountants