

To: CommentLetters
From: Michael Humphrey, CPA

What treachery is this? The FASB in cahoots with the AICPA conspiring together for the needs of constituents of the private company financial reporting? Can we role the clock back a little and re-think Fin 46 (R) for private companies? I guess sanity isn't part of the agenda.

All kidding aside, I commend the FASB for seeking input from the private sector and finally recognizing that there are major differences between the users of financial statements for private for-profit entities and those of public companies. I think your initiative is a step in the right direction towards addressing those different user needs.

In response to your specific questions you wanted response on:

1. Yes, I wholeheartedly think the proposal contained in paragraphs 16-29 will improve the accounting standard setting process for private companies.
2. No. I do not think the proposed changes will help ensure that the financial reporting needs of constituents of private companies are met. I have found that bonding companies, lenders, creditors, taxing authorities and ownership are more interested in their own specific needs than what the audited financial statements provide. Most users request additional information specific to their needs. The basic financial statements are just the beginning of information required by them. Nothing the FASB can do will ensure their needs are met. In fact, in light of discussions with the banks and bonding companies we deal with, I think the FASB's trend for more and more disclosure, consolidation of VIE's and forcing fair value accounting into the basic financial statements has cluttered up the financial statements to the point of making them both unreadable and confusing to the user.
3. No. I think differences for GAAP for private companies should be more aligned with keeping the disclosures simpler and understandable to the users. The cost-benefit discussions usually come into play when the FASB issues statements that are not comprehensible but by a few individuals. You should not have to be a Rhodes Scholar to understand an accounting pronouncement and how to apply it. Most users of private company financial statements are not CPAs and should not have to have a CPA to interpret the financial statements for them.
4. I agree that members of the committee should be reimbursed their reasonable expenses. If this committee achieves success and the work load is unmanageable on a part-time voluntary basis, then I would consider compensating the members.
5. I agree the committee should set its own agenda and priorities.

Thank you,

Michael D. Humphrey, C.P.A.
Sr. Vice President Finance