



Certified Public Accountants
and Business Consultants

August 7, 2006

Financial Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856

American Institute of Certified Public Accountants
1211 Avenue of the Americas
New York, NY 10036

Ladies and Gentlemen:

I would like to thank you for the opportunity to comment on the joint proposal entitled "Enhancing the Financial Accounting and Reporting Standard-Setting Process for Private Companies."

My professional career started with a Big Four accounting firm performing primarily audits of public and mutual insurance companies. My recent experience at our firm, which services small to medium-sized closely-held companies, has provided me a unique insight into the dilemmas facing many members of our profession. The needs of the financial statement user of private companies are very different from those of publicly-traded entities. Many recent pronouncements, such as FIN 46-R "Consolidation of Variable Interest Entities", when applied to the financial statements of private closely-held companies, cause them to be less meaningful to the financial statement user. In addition, the cost of the services we provide greatly increases due to the application of such pronouncements.

I appreciate the recognition of this issue by the Board and the Institute and offer the following responses to specific questions regarding the proposal:

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

Yes. The proposed modifications to the standard-setting process would allow the voice of the private companies and those involved in their financial reporting to be heard. I am encouraged by the importance placed on private companies' users, preparers, and auditors by the Board and Institute, as evidenced by this joint proposal.

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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?*

I believe it is a step in the right direction. The answer to this question will depend on how effectively the committee considers the input of all private companies, regardless of size.

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. Do you agree?*

Yes. These are the most important considerations in determining any differences in GAAP for private and public companies.

4. *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?*

No. In order to ensure that private companies of all sizes are fairly represented on the committee, members should be fairly compensated. A lack of compensation could act as a disincentive to participate, particularly to members who belong to or provide services to smaller private companies.

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

Yes. The committee will be more effective if it sets its own agenda and priorities.

I would like to thank you again for the opportunity to provide comments on the proposal.

Sincerely,



Traci Karg Clapham, CPA

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