Ms Folley,

I want to echo the sentiments expressed by Barry Melancon.

Many of the Codifications requirements are extremely and unduly burdensome to private companies. It appears that FASB has never recognized this and as most who are involved with private company reporting believe, never will.

The sooner private companies can unhitch from FASB the better. Having FASB decide which of their pronouncements should apply to private companies makes absolutely no sense whatsoever.

This is an opportunity lost.

With regards

John Nicolson, CPA.
Early this morning, the Financial Accounting Foundation (FAF) released its proposal in response to the recommendations of the Blue Ribbon Panel (BRP) on Standard Setting for Private Companies. Despite receiving more than 3,000 letters from private company constituents and state CPA societies supporting the creation of a separate standard-setting board to modify GAAP for private companies, FAF instead recommended a council whose decisions are subject to ratification by the Financial Accounting Standards Board. AICPA President and CEO Barry Melancon, CPA, and AICPA Chairman of the Board of Directors Paul Stahlin, CPA, released a statement expressing disappointment with FAF’s proposal.

Here is a summary of the statement:

The creation of an independent standard-setting board that would not be subject to the Financial Accounting Standards Board (FASB) approval process was the cornerstone of the BRP’s recommendations. The BRP’s diverse membership (consisting of a cross-section of leaders from financial reporting constituencies, including lenders, investors, owners, preparers and public accountants) recommended the independent board because the current FASB, and even a restructured FASB, cannot produce the needed exceptions and modifications to GAAP for private company financial reporting. A supermajority of BRP members believed that throughout its history, the FASB has been very heavily geared, in its composition and its processes, toward public companies. As a result, GAAP exceptions and modifications in recognition, measurement and presentation have been too rare and extremely difficult to achieve.

“Over the years, FASB’s main focus has understandably been on the needs of constituents of publicly traded companies,” stated Barry Melancon, CPA. “The pent up frustration we are witnessing by the private company constituency is a direct result of that public company focus and not seeing that differences can be and are appropriate for private companies and their financial statement users.”

The AICPA will continue to urge FAF to propose an independent standard-setter. “We don’t think the concerns of smaller private companies can be fully appreciated until there is an independent board dedicated and focused solely on the needs of private companies,” stated Paul Stahlin, CPA. “Therefore, we will continue to ask our members and others who support more relevant and cost beneficial standards for private companies to make their voices heard loud and clear that the best answer is an independent private company board.”

Future issues of AICPA News Update will report on information and resources to help you understand FAF’s proposal and offer you the opportunity to send a comment letter.

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