Re: Comment Letter on Private Company Council Proposal

This comment letter represents my own professional views, not those of the AICPA. I think that it would be proper for the AICPA to request members to respond with their own personal views on accounting issues. I think that it is reprehensible for the AICPA to go so far as to prepare a form letter asking CPA’s to respond positively to the AICPA recommendations without offering the same assistance to those who might feel differently. At the least this skews the response unfairly. If the correctness of the AICPA’s position is that obvious such influence should not be necessary.

Dear Financial Accounting Foundation:

I disagree with the recommendations made by the Blue Ribbon Panel on Private Company Financial Reporting regarding differential standards and a separate standard-setting entity for private companies. I feel that accounting standards should be the same for companies of all sizes and industries, regardless of whether they are private or public. While I work for a private company which stands to "benefit" from the current proposal I feel that it is wrong to apply different standards to companies based upon their ownership or regulatory status. I feel that it would be advisable for the SEC or other governing body to require more detailed analysis to be presented by public companies since the "owners" don't have a personal relationship with the company and cannot make specific inquiries regarding items in question as is the case with private companies. However, I feel that the accounting standards should be the same in all cases:

1. Private companies often compete with public companies for work. We are a private construction company and often must compete with public companies when bidding on projects. It can be very difficult for companies taking multiple proposals from both public and private companies if they must bear in mind that the accounting standards used in preparing their statements are different. Presentation may benefit one company over another simply because it is "different".

2. Private companies have a habit of becoming public companies (and vice versa). Having two different sets of standards with two different governing bodies will only increase the difficulty of making the transition.

3. Having distinct accounting standards for private companies cannot but give the impression in the mind of the general public of good versus better or even good versus bad. This could lower the view of the public of accounting standards as a whole.
4. The fact that existing accounting standards are too "difficult" or "costly" for private companies to prepare doesn't necessarily imply that a sub-group should be relieved from these more strenuous standards. It could just as well imply that the existing accounting standards are overly difficult and quite possibly not as effective as they could be.

5. A primary purpose of creating separate standards seems to be making statements of private companies simpler and easier to understand. Yet the result could be just the opposite. Having two "sets" of standards may only make things more difficult and less meaningful for the financial community as a whole.

6. Differences in standards among otherwise similar companies can cause even greater confusion. Several years ago I worked for a not-for-profit Continuing Care Retirement Community. During my tenure changes were made in the way that not-for-profits reported their long-term investments. I did comment on the exposure draft that this could make it difficult for not-for-profits applying for licensing etc. when they were using standards different from their competitors. Nonetheless the exposure draft was approved. Later when we were applying for a certification we were "written up" for using the "wrong" presentation for long-term investments. The people doing the due diligence were not aware of the change in accounting standards applying only to not for profits - even though they themselves worked for another not-for-profit CCRC.

The value of any standard requires that it be generally accepted and consistently followed. We do have a very valuable set of standards now. In creating two "competing" sets of standards are we not diluting the value of either one of them?

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