To the Financial Accounting Foundation:

I am writing you today regarding the recent proposal on private company reporting. I want to first thank you for your efforts to improve the current reporting guidelines that private companies follow. Your acknowledgement that something needs to be changed is appreciated a great deal by those of us associated with private companies. I am a CPA in public practice and I work exclusively on private company assurance engagements. While I am happy to hear of the efforts up to this point, I must say I am profoundly disappointed to read that a separate board for private companies is not a part of the FAF’s proposal.

I have a tremendous amount of respect and appreciation for the job FASB has to do. Being charged with ensuring standards are in place that serve in large part to protect individuals investing in public companies, such as myself, is no small task. But due to the enormity of this task, FASB’s efforts have been, and will continue to be, focused on public company issues. The unacceptable byproduct is that private companies have been held to standards that have spun out of control with regards to their time and effort to produce information that is largely irrelevant and ignored by the financial statement users. This sentiment is echoed by clients I work with and the users of their financial statements. Because of the time FASB must dedicate to public company issues, the requirement for that board to be the ultimate decision maker and ratify anything related to private companies to me seems to be an unworkable proposal. My belief is that this will result in no change at all from the past results, which clearly have not been in the best interest of the private companies that make up the significant portion of our economy. Further, even if FASB were to take a sincere interest in private company concerns, the time required to bring individuals who are from a public company background up to speed on how the issue relates to private companies would unnecessarily draw out any proposed change. FASB’s previous veto of FIN 46 and FIN 48 are concrete examples that they clearly don’t understand the ramifications to private companies. I am not optimistic that FASB will suddenly see the light on similar issues.

As you are aware, you received an overwhelming amount of feedback that indicated there is strong support by the stakeholders in this issue for a separate, autonomous board. Regretfully, this was not part of your proposal. At least one part of the reasoning I have read is over concerns that having a separate board would result in two completely separate standards (Big GAAP vs. Little GAAP). With all due respect, I think you are being a bit dramatic with that statement. The Blue Ribbon Panel recommendation simply suggested that existing GAAP be modified and private companies be excluded from provisions that are not applicable. It did not contemplate creating an entirely new set of standards. Your fears would seem to indicate that those who would serve on a separate board, should it be created, would run amok and foolishly make a GAAP that is unrecognizable from the current set of pronouncements. The insinuation is that “private company representatives are not capable of
making such heady decisions, let’s let them come up with ideas and run them by the smart folks with FASB to see if it’s a good idea”. Again, with all due respect to the job FASB must do, they do not understand the issues faced by my clients and the users of their financials. They must focus their time and energy elsewhere, and because of that I feel that a separate board is critical to getting results that produce more relevant and cost beneficial financial statements.

I sincerely thank you for your time and efforts with this issue. I hope you will reconsider the configuration of the proposal with respect to a separate board.

Best Regards,

Chad Allen, CPA

Overland Park, KS