From: Dipak Bhakta
To: Private Company Plan
Subject: Comments -PCSIC Proposal
Date: Friday, January 06, 2012 6:39:52 PM

Hello,
I have registered for the FAF PCSIC Roundtable in Palo Alto, and have been asked to submit comments.

I believe there should be differences in accounting rules for private companies vs. public companies. One standard setting body with one set of GAAP that applies to all companies, with exceptions, or carve outs for private companies would be the optimal structure, in my opinion. This would allow for the least painful transition for private companies that have to switch to public company reporting standards due to an IPO, acquisition, or merger. It would also bode well for the profession to allow accountants to more easily transition between positions at private companies and public companies, without having to learn a whole new set of standards.

That said, there are some areas of current US GAAP that have limited to no value for the primary users of private company financial statements (owners, banks, etc.). Examples are Asset Impairment adjustments, and LIFO inventory valuation reserves. Our accounting staff and external auditors spend a lot of time effort on these issues, and we have to pay valuation consultants for analyses. However, the resulting adjustments to the Financial Statements provide very little value to the users of our financial statements. In fact, our bank specifically excludes these line items when calculating ratios for debt covenant compliance on our revolving line of credit.

Some background: Our company, Save Mart Supermarkets, has always been privately held, and operates 233 grocery stores and 3 distribution centers throughout Northern California and Northern Nevada under the Save Mart, S-Mart Foods, Lucky, Maxx Value Foods, and FoodMaxx banners. The company was founded in 1952 and is headquartered in Modesto, California.

Sincerely,

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