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To: [President's Desk](#); hrv@sobolveltum.com
Subject: Private Company Financial Reporting
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Board of Trustees
Financial Accounting Foundation
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presidentsdesk@f-a-f.org

Dear Financial Accounting Foundation:

This letter is to express my support for 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. Such historic change is necessary to effectively bring about sensible, useful financial reports for private companies and the users of their financial statements (such as bankers/lenders, insurers, venture capitalists and others).

I believe a systemic problem exists. Current accounting standards are driven by the needs of public companies which are primarily fund-raising on the capital markets. These standards are complex and substantially irrelevant to privately-held businesses, whose primary concerns are historical performance and the entities ability to meet current obligations. I believe fair value accounting is an example of these divergent needs. While fair value is relevant to a public company that routinely liquidates or leverages its assets to raise capital, it is not particularly relevant to a privately-held business. These standards are not only confusing and costly to implement, in many cases there are no "observable inputs" to perform the fair value analysis, and the utilization of "unobservable inputs" is misunderstood. This is just one of many examples where the current standards are not relevant or cost beneficial to privately-held businesses. I believe the panel was correct in concluding it does not make sense to incur significant cost to comply with standards that have become ever more irrelevant in the private company world.

In addition, substantive differences in current and future standards for private companies, where appropriate, are not only appropriate they are necessary. Having appropriate differences will lead to relevant financial statements that provide useful information to the users of private company financial statements to assess the a company's historical performance, current trends, and its ability to meet its current operating obligations.

Further, a new, separate body with standard-setting authority must be established directly under FAF and not subject to FASB approval. Given the public company reporting pressures placed upon FASB, the board cannot adequately respond to the divergent needs of the private company sector.

The work done by the panel was extensive and took into account input from all the key constituencies of private company financial reporting. Differential standards and an autonomous standard-setting body to implement them for private companies are needed now.

Thank you in advance for your careful consideration of these important issues

challenging our profession.

Sincerely,

Harry R. Veltum Jr.
CPA practitioner
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