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Certified Public Accountants and Business Advisors Since 1949

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Board of Trustees
Financial Accounting Foundation
401 Merritt 7, P.O. Box 5116
Norwalk, CT 06856-5116

Dear Financial Accounting Foundation:

In the name of common sense, our profession, our country needs to realize that “one size doesn’t fit all” and that in that regard the FAF should accept and implement 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).

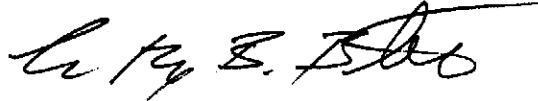
I remember one time in the early – mid 1970s during the time when all companies had to report earnings per share. I had a client that had a small privately owned corporation that had 100 shares of stock authorized, but only 10 shares issued and outstanding. His earnings per share were over \$1,000 per share. I advised him of this fact and his comment was “Is this good?” When I told him it was 10 times better than if he had issued the other authorized 90 shares, he wanted to know how much extra his accounting costs were as the result of providing him with this useless information. I had no reasonable or rational answer in the 1970s and I still don’t.

I believe a systemic problem does exist, in that there is an increasing lack of relevance of accounting standards for private companies and their financial statement users. Further, the panel was correct in that a) private companies are incurring significant unnecessary costs for GAAP financial statement preparation and audit, review, or compilation services b) it does not make sense to incur significant cost to comply with standards that have become ever more irrelevant in the private company world and c) there is not a proper weighing of costs and benefits when it comes to setting standards for private companies.

In addition, as in the past, there still are and in the future they should be substantive differences in the standards for private companies, where appropriate. The problem is fundamental, and not just about disclosures and relief on effective dates for new standards.

I started practicing in public accounting in 1963 and have heard the problems of “Big GAAP” vs. “Small GAAP” for 48 years. But as I pointed out above, our profession and the business community at large needs to know, understand and accept the fundamental fact that “one size does not fit all”.

Sincerely,

A handwritten signature in black ink, appearing to read "LeRoy B. Bible". The signature is fluid and cursive, with a long horizontal stroke extending from the end of the name.

LeRoy B. Bible, CPA, CFE