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Subject: Private Company Financial Reporting

Board of Trustees
Financial Accounting Foundation
401 Merritt 7, P.O. Box 5116
Norwalk, CT 06856-5116
presidentsdesk@f-a-f.org

Dear Financial Accounting Foundation:

Without delay, it is essential that FAF 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 believe a systemic problem exists. The current standard-setting process does not adequately take into account the needs of the private company sector and 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 it does not make sense to incur significant costs to comply with standards that have become ever more irrelevant in the private company world. There is also no proper weighing of costs and benefits when it comes to setting standards for private companies.

In addition, substantive differences in current and future standards for private companies, where appropriate, are necessary. Private company financial reporting, as it stands now, is too complex, embodies too much irrelevant information and is too costly and time-consuming given its minimal benefits. Having appropriate differences will lead to more relevant financial statements that provide decision-useful information to the users of private company financial statements. The problem is fundamental, and not just about disclosures and relief on effective dates for new standards.

Further, a new, separate body with standard-setting authority must be established directly under FAF and not subject to FASB approval. 6) Given the public company reporting pressures placed upon FASB, the board cannot adequately respond to the competing needs of the private company sector.

The panel's report is based on a year of discussion, research efforts spanning 30 years and input from private companies and their financial statement users, among others. Differential standards and an autonomous standard-setting body to implement them for private companies are needed now.

Thank you.

Sincerely,

Andrew Nelson
Private company financial management
ATW Companies, Inc.