

**From:** [David Walser <david.walser@genspring.com>](mailto:david.walser@genspring.com)

**To:** [President's Desk](#)  
[david.walser@genspring.com](mailto:david.walser@genspring.com)

**Date:** 6/9/2011 1:24:02 PM

**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](mailto:presidentsdesk@f-a-f.org)

Dear Trustees of the Financial Accounting Foundation:

I strongly endorse the recommendations made by the Blue Ribbon Panel on Private Company Financial Reporting regarding the creation of a separate standard-setting entity for private companies. The change is necessary to effectively bring about appropriate financial reporting for private companies and the users of their financial statements (such as bankers/lenders, insurers, venture capitalists and others).

A systemic problem exists. No single entity can possibly set the standards for all parts of the accounting universe. Just as we need one standard setter for public companies and another for governmental entities, we need two different boards governing the standard setting for public and private companies.

The Blue Ribbon Panel was correct in that it does not make sense for private companies to comply with standards that produce little additional useful information to the users of the companies' financial statements. Compliance with irrelevant standards needlessly drives up the costs of reporting for private companies. Worse, since so many users of private companies' financial statements demand the company depart from one or more GAAP standards in preparing the company's financial statements, it's far more difficult than it need be to compare the results of one company to another.

The problem is fundamental and cannot be addressed by granting occasional relief from one or more standards. Unless a separate standard setting entity is created to address the needs of private companies and the users of their financial statements, those needs will always be given lower priority to the needs of public company reporting. Since no one believes the work of standard setting for public companies will ever be completed, a lack of a dedicated standard setter for private companies will doom those firms to make do with ill-fitting second-hand hand-me-down rules borrowed from the public company world.

A new, separate body with standard-setting authority must be established directly under FAF and not subject to FASB approval. Should the NFL set the rules for high school football? No, such an approach would be absurd. While substantially similar, the needs of high school football and the NFL are too disparate for one rule maker to govern both. This is not a slight against the professionalism and talent of NFL officials. Nor is it a slight against FASB to say someone else should be setting the accounting standards for private companies.

The Blue Ribbon Panel's recommendations reflect the work of over a year on the part of nationally recognized experts. The panel's recommendations are built on a foundation of decades of academic research. The recommendations incorporate the input of the users of private company financial statements. I implore you to adopt the Blue Ribbon Panel's recommendations and to not gut the panel's recommendation by making any proposed private company accounting standard subject to FASB veto.

Thank you.

Sincerely,

David Walser  
CPA practitioner  
GenSpring Family Offices, LLC