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**Subject:** Private Company Financial Reporting

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Dear Financial Accounting Foundation:

This letter is to express my strong 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. This "small GAAP" and "big GAAP" has discussed since the early days of my career 34 years ago, yet this is the first real effort to solve the problem. Changes are necessary to effectively bring about sensible, useful financial reports for private companies and the users of their financial statements (primarily financial institutions, insurers and potential ownership transfers).

The current standard-setting process does not adequately take into account the needs of the private company sector which creates an increasing lack of relevance of accounting standards for private companies and their financial statement users. Accounting standards have been and are driven by issues affecting public companies by mostly public company representatives on the FASB. Thus, the FASB carries out the SEC's (public companies) statutory responsibility for accounting standards, so it is destined to primarily reflect the capital markets and investors' needs. This is a good thing since it has mostly kept government out of financial standard setting process. However, it continues to ignore the needs of private companies and their financial statement users.

Further, the panel was correct in that private companies are incurring significant unnecessary costs for GAAP financial statement preparation and audit, review or compilation services. It does not make sense to incur significant costs to comply with standards that have become ever more irrelevant in the private company world. Small business runs America. Without them, large businesses (and the US economy) would struggle. The financial pressures on small businesses make these unnecessary costs a burden to bear.

In addition, substantive differences in current and future standards for private companies, where appropriate, are necessary. Private company financial reporting (with standards designed for public companies), as it stands now, is too complex, embodies too much irrelevant information and is too costly and time-consuming given its benefits. Allowing appropriate differences will lead to more relevant financial statements for small businesses that provide decision-useful information to the users of private company financial statements.

Further, a new, separate body with standard-setting authority must be established directly under FAF and not subject to FASB approval. History and the current environment clearly show that FASB cannot effectively balance the competing needs of both the public company and private company areas.

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,

A. Wayne Nix  
CPA practitioner  
A. Wayne Nix, CPA, PC