

From: James Smith [jsmith@dallascpas.com]
Sent: Thursday, June 02, 2011 6:03 PM
To: Presidentsdesk; jsmith@dallascpas.com
Subject: Private Company Financial Reporting

Board of Trustees
Financial Accounting Foundation
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Dear Financial Accounting Foundation:

In my opinion, 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, meaningful financial statements for private companies and the users of those statements (such as bankers/lenders, insurers, venture capitalists and others).

I believe a systemic problem exists. FASB carries out the SEC's statutory responsibility for accounting standards, so it is destined to primarily reflect the capital markets and investors' needs. Consequently, there is an increasing lack of relevance of accounting standards for private companies and their financial statement users. Further, the panel was correct in concluding that private companies are incurring significant, unnecessary costs for GAAP financial statement preparation and audit, review or compilation services.

In addition, substantive differences in current and future standards for private companies, where appropriate, are necessary. Private company financial reporting today, is too complex, embodies too much irrelevant information and is too costly and time-consuming given its benefits.

Further, a new, separate body with standard-setting authority, not subject to FASB approval, must be established directly under FAF. History and the current environment clearly show that the public company reporting pressures placed upon the FASB prevent it from effectively balancing the competing needs of both the public and private company areas. This might be the most important recommendation to implement.

The work done by the panel was extensive and took into account 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,

James Smith

CPA practitioner
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