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To: [President's Desk](#); cchatto@bnn CPA.com
Subject: Private Company Financial Reporting
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Board of Trustees
Financial Accounting Foundation
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Dear Financial Accounting Foundation:

I urge FAF to adopt 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.

I believe a systemic problem exists. Accounting standards have been and are driven by issues affecting public companies. FASB carries out the SEC's statutory responsibility for accounting standards, so it is destined to primarily reflect the capital markets and investors' needs. I whole-heartedly agree with the Panel's conclusion that it does not make sense to incur significant cost to comply with standards that have become ever more irrelevant in the private company world

In addition, substantive differences in current and future standards for private companies, where appropriate, are necessary. The problem is fundamental, and not just about disclosures and relief on effective dates for new standards. 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 benefits. FASB does not give any notable consideration to the ability of owners and lenders to virtually all private companies to access the management of public companies directly for detailed information it does not need to be presented in an annual report by hard-to-reach management.

Further, a new, separate body with standard-setting authority must be established directly under FAF and not subject to FASB approval. Given the understandable public company reporting pressures placed upon FASB, the board cannot adequately respond to the competing needs of the private company sector--the public sector gets all the attention and "solutions" are directed towards public company problems.

Users and preparers of financial statements as well as others provided valuable and adequate research to the panel on the problems and needed solutions related to private company financial reporting. It's telling that in our practice covering most of New England, we have many clients who have taken qualified audit opinions rather than incur the time and expense to comply with standards that have no discernable benefit, such as FIN 46R and goodwill impairment reviews. Their lenders and owners are unconcerned about the qualified opinions. If accounting standards become diluted in this way, the entire profession runs the risk that standards will not be "generally accepted" but rather "generally unacceptable".

Differential standards and an autonomous standard-setting body to implement them for private companies are needed now.

Thank you.

Sincerely,

Carl Chatto
CPA practitioner
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