

From: [Brian Wagner](#)
To: [President's Desk](#); bwagner@bcgpc.com
Subject: Private Company Financial Reporting
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Board of Trustees
Financial Accounting Foundation
401 Merritt 7, P.O. Box 5116
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presidentsdesk@f-a-f.org

Dear Financial Accounting Foundation:

This letter is to strongly express my 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. Such historic change is necessary to effectively bring about relevant financial statements for private companies and the users of their financial statements (such as bankers/lenders, insurers, venture capitalists and others).

I believe that several fundamental, systemic problems exist. First, the current standard setting process is strongly weighted to the public filers, and does not take into account the needs of the private company sector. As a result, there is an increasing lack of relevance of accounting standards for private companies and their financial statement users. Additionally, FASB carries out the SEC's statutory responsibility for accounting standards, to there is an inherent bias towards filers, and the private companies are implicitly ignored. Finally, the panel was correct in that private companies are incurring significant and unnecessary costs for GAAP financial statement preparation and audit services. It does not make economic sense for private companies to continue to comply with standards that continue to become even more irrelevant in the private sector.

In addition, substantive differences in current and future standards for private companies, where appropriate, are necessary. The problem is systemic and structural; not just about disclosures and relief on effective dates for new standards. Having appropriate differences, that are well thought out and logical, will lead to more relevant financial statements that provide helpful information to the users of the private company financial statements. If a private company anticipates going public or being acquired by a filer, they should be allowed to opt into the filer 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 the FASB, the board cannot adequately respond to the competing needs of the private company sector. History has shown that the FASB organization is not able to effectively balance the objectives of filers and non-filers. Without this new body and governance structure, history will repeat itself.

The work done by the panel was extensive, and took into account input from the various constituencies of private company financial reporting. Differential standards and an autonomous standard-setting body to implement them for private companies are needed now.

Thank you.

Sincerely,

Brian Wagner
CPA practitioner
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