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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

Dear Financial Accounting Foundation:

I strongly urge the Financial Accounting Foundation 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. Such historic change is necessary to effectively bring about more affordable and relevant financial statements for private companies and the users of their financial statements (such as bankers/lenders, insurers, venture capitalists and others).

I believe a systemic problem exists. The current standard setting process does not adequately take into account the needs of the private company sector. Most of the clients I work with gross less than 3 million a year (90% under 1 million). Further, the panel was correct in that there is not a proper weighing of costs and benefits when it comes to setting standards for private companies. My clients simply can not afford to pay for the additional work involved to bring their statements up to the new standards.

In addition, substantive differences in current and future standards for private companies, where appropriate, are necessary. As it is now private company financial reporting embodies too much irrelevant information and is far too costly and time consuming for the benefits derived.

Further, a new, separate body with standard-setting authority must be established directly under FAF and not subject to FASB approval. FASB has worked diligently to monitor the public sector and keep up with the constantly changing environment. Sadly, the private sector has always been ignored.

Users and preparers of financial statements, as well as many others, provided valuable and relevant research to the panel on the problems and needed solutions related to private company financial reporting. Differential standards and an autonomous standard-setting body to implement them for private companies are needed now.

Thank you.

Sincerely,

Kaye Kolbe
CPA practitioner
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