

From: [Scott Morrison <scott@maacpa.com>](mailto:scott@maacpa.com)

To: [President's Desk](#)
scott@maacpa.com

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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:

As a long term CPA professional assisting private companies, I want to emphatically support 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, and finally, create appropriate financial statements relevant to, and informative of, the needs of 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:

- There is already a lack of relevance of accounting standards for private companies and their financial statement users,
- Accounting standards have been and are being driven by issues affecting public companies and are not relevant, cost effective nor appropriate to private 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 NOT the needs of private companies, in fact it simply ignores those needs.

Further, the panel was correct in that private companies are incurring significant unnecessary costs for GAAP financial statement preparation under audit, review or compilation services. Now, more than ever, it does not make sense to incur significant costs to comply with standards that have become ever more irrelevant in the private company world and there is not a proper weighing of costs and benefits when it comes to setting standards for private companies

In addition, substantive differences in current and future standards for private companies, where appropriate, are necessary. Public/SEC needs and requirements are not relevant to the needs and requirements of private companies. Both banks and sureties in my field of construction have repeatedly requested GAAP departures that would otherwise render the financial presentation useless for its intended purpose.

Further, a new, separate body with standard-setting authority must be established directly under FAF and not subject to FASB approval. Given the public company reporting pressures placed upon FASB, the FASB cannot, AND DOES NOT, respond appropriately to the competing needs of the private company sector.

History and the current environment clearly show that the FASB cannot effectively balance the competing needs of both the public company and private company areas. The most important recommendation is to implement an autonomous standard-setting body. Without such a body, the differences needed in the standards won't occur since the FASB is controlled by those individuals with large CPA firms who have a vested interest in driving out smaller CPA firms from producing financial information.

The work done by the panel was extensive and took into account input from all the key 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,

Scott Morrison
CPA practitioner
Morrison & Associates CPAs, PLLC