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Dear Financial Accounting Foundation:

It is our opinion, that the Financial Accounting Foundation (FAF) should 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 appropriate financial reporting for private companies and the users of their financial statements (such as bankers/lenders, insurers, venture capitalists and others).

We believe a systemic problem exists. The current standard-setting process does not adequately take into account the needs of the private company sector. The Financial Accounting Standards Board (FASB) carries out the Security Exchange Commission's (SEC) statutory responsibility for accounting standards, so it is destined to primarily reflect the capital markets and investors needs while minimally considering the needs of the users of private company financial statements. Further, the panel was correct in that private companies are incurring significant unnecessary costs for generally accepted accounting principles financial statement preparation and audit, review or compilation services. It simply does not make sense to incur significant cost to comply with standards that are irrelevant in the private company world.

In addition, substantive differences in current and future standards for private companies, where appropriate, are necessary. 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. Having appropriate differences will lead to more relevant financial statements that provide decision-useful information to the users of private company financial statements.

Further, a new, separate body with standard-setting authority must be established directly under FAF and not subject to FASB approval. History and the current environment clearly show that FASB cannot effectively balance the competing needs of both the public company and private company areas.

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

Sincerely,



William M. Fitzgerald, II, CPA, CFSA  
Principal