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**Date:** 7/6/2011 1:44:10 PM

**Subject:** Private Company Financial Reporting

Board of Trustees  
Financial Accounting Foundation  
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Dear Financial Accounting Foundation:

Without delay, it is essential that FAF accept and implement 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 appropriate, meaningful and more 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. As a CPA for small and mid-sized private companies, I can attest to the fact that the current standard-setting process does not adequately take into account the needs of the private company sector. There is an increasing lack of relevance of accounting standards for private companies and their financial statement users. The current accounting standards have been and are driven by issues affecting public companies, not private companies. Further, the panel was correct in that private companies are incurring significant unnecessary costs for GAAP financial statement preparation and audit, review or compilation services, and it does not make sense to incur significant cost to comply with standards that have become ever more irrelevant in the private company sector. Why should the private company sector be subjected to such unnecessary, irrelevant and rigorous standards? 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, are appropriate, and 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. 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. Given the public company reporting pressures placed upon FASB, the board cannot adequately respond to the competing needs of the private company sector. History and the current environment clearly show that FASB cannot effectively and efficiently balance the competing needs of both the public company and private company areas. This is the most important recommendation to implement. The only answer to address the problem is an autonomous standard-setting body. Without such a body, the differences needed in the standards are unlikely to occur, just like with past committees and efforts.

The panel's report is based on a year of discussion, research efforts spanning 30 years and input from private companies and their financial statement users, among others. It is imperative to implement differential standards and an autonomous standard-setting body for private companies without further delay!

Thank you.

Sincerely,

Vanna Catterson  
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