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Re: Private Company Financial Reporting

Dear Financial Accounting Foundation:

Yes, separate accounting standards for private companies, in my opinion.

Yes, without a doubt, separate accounting standards for private companies (nonfilers). For the last 30+ years of my professional career, the argument has been should we have Big-GAAP and Little-GAAP? The plain and simple answer to all small business owners has always been yes; absolutely they need and want Little-GAAP. It is just the professional standard setters who did not seem to get it. Now, the professional standard setters are finally getting it, maybe.

We have always had Big-GAAP for filers, just look at the promulgation of the FASB Accounting Standards Codification. But, we have always had Little-GAAP too. However, many of us are just afraid to use it. Little-GAAP, which most of us know as OCBOA has always been there for private companies to use. OCBOA that is really modified cash basis and/or tax basis reporting has always been there. Many (a very large number) private companies have switched to Little-GAAP with little ramifications, if any. Much of the disclosure required for Big-GAAP applies to Little-GAAP anyway with just less detail. The banks, bonding companies and other financial institutions are more widely accepting Little-GAAP. Since peer review, accounting firms have gained a great deal of credibility that in turn has given Little-GAAP (OCBOA) almost total acceptance at the private company level.

As the entire business community of the world is starting to accept IFRS for publicly-held (filers) entities, some with local modifications, they are also accepting IFRS for SMEs (small and medium enterprises – nonfilers – private companies).

So with global acceptance of IFRS - SME, why is one of the very first things that the Blue Ribbon Committee on Private Company Standard Setting did was to eliminate further consideration of IFRS – SME? The Blue Ribbon Committee did get the right answer that we need separate standards for private companies.

Actually, since FASB recognizes IFRS as a standards setting body doesn't that make IFRS-SME GAAP already?

Private companies have been adopting their own GAAP for years. For those not following OCBOA, they designed their own GAAP by having GAAP departures for such things as VIEs, capitalized leases, fair value, percent of completion and a few more. The real world (private companies) looks at GAAP departure as an alternative of GAAP because that is meaningful to them. However, as CPAs we must look at GAAP departures not as an alternative but as a material misstatement of financial statement reporting and modify our accountant's and auditor's reports and for audits issue a management letter pointing out that the informed decision made by management is wrong. Have you really tried to explain that one to your private company management?

Yes, Yes, Yes, please already, separate accounting standards for private companies.

Thank you in advance for the opportunity to submit this communication and for your prompt consideration of this matter.

Respectfully submitted,

Eugene ("Gene") F. Svatek, CPA (OH, FL, SC)