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Subject: Private Company Financial Reporting

Board of Trustees
Financial Accounting Foundation
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presidentsdesk@f-a-f.org

Dear Financial Accounting Foundation:

In my opinion, FAF must accept 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. Although I'm against unnecessary levels of bureaucracy, FASB has always ignored the needs and reporting issues faced by private companies, and I believe they are incapable of ever changing their pattern. Such historic change is necessary to effectively bring about 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. There is an increasing lack of relevance of accounting standards for private companies and their financial statement users such that many private companies produce non-GAAP financial statements using a more relevant non-standard basis. Further, the panel was correct in that it does not make sense to incur significant cost to comply with standards that have become ever more irrelevant in the private company world.

In addition, substantive differences in current and future standards for private companies, where appropriate, are necessary. The problem is fundamental, and not just about disclosures and relief on effective dates for new standards. Most lenders and other capital sources require private companies' internal financial statements or make substantial changes to the GAAP financial statements before they can make their decisions because the current GAAP financial statements don't present the true picture. This is particularly true if they have held real property assets for decades or have substantial long-term retail property leases. The reality is that most private companies don't exist in the straight-line lower of cost or market world propagated by FASB.

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.

Privately held small businesses produce the greater volume of financial statements and there is a great need for relevant standards that address their needs and fairly represent their true financial condition. Differential standards and an autonomous standard-setting body to implement them for private companies are needed now.

Thank you.

Sincerely,

Kenneth Acker CPA
Private company financial management
Standard Optical Company