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To: [President's Desk](#)

Date: 9/16/2011 6:29:36 PM

Subject: Private Company Financial Reporting

Board of Trustees

Financial Accounting Foundation

401 Merritt 7, P.O. Box 5116

Norwalk, CT 06856-5116

Dear Financial Accounting Foundation:

As an auditor of private company financial statements, I am writing this letter [i] to urge FAF to adopt [ii] 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 sensible, useful financial reports[iii] 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. FASB carries out the SEC's statutory responsibility for accounting standards, so it is destined to primarily reflect the capital markets and investors' needs[iv]. Further, the panel was correct in that there is not a proper weighing of costs and benefits when it comes to setting standards for private companies.[v]

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

[vi]

Further, a new, separate body with standard-setting authority must be established directly under FAF and not subject to FASB approval. Without such a body, the differences needed in the standards are unlikely to occur, just like with past committees and efforts[vii].

The work done by the panel was extensive and took into account input from all the key constituencies of private company financial reporting.[viii] Differential standards and an autonomous standard-setting body to implement them for private companies are needed now.

Thanks

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[i] - As a user of private company financial statements, I am writing this letter
- As a preparer of private company financial statements, I am writing this letter
- As an auditor of private company financial statements, I am writing this letter

[ii] - to express my support for
- to urge FAF to adopt
- to communicate my opinion that FAF should accept
- to express my belief that FAF should accept and implement, without delay

[iii] - meaningful financial statements
- appropriate financial reporting
- sensible, useful financial reports
- more relevant financial statements

[iv] - 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
- Accounting standards have been and are driven by issues affecting public 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

[v] - private companies are incurring significant unnecessary costs for GAAP financial statement preparation and audit, review or compilation services
- it does not make sense to incur significant cost to comply with standards that have become ever more irrelevant in the private company world
- there is not a proper weighing of costs and benefits when it comes to setting standards for private companies

[vi] - 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

[vii] - 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 balance the competing needs of both the public company and private company areas
- This might be the most important recommendation to implement
- An autonomous standard-setting body is the only answer to address the problem
- Without such a body, the differences needed in the standards are unlikely to occur, just like with past committees and efforts

[viii] - 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

- The work done by the panel was extensive and took into account input from all the key constituencies of private company financial reporting
- 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

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