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Subject: Private Company Financial Reporting

Board of Trustees
Financial Accounting Foundation
401 Merritt 7, P.O. Box 5116
Norwalk, CT 06856-5116
presidentsdesk@f-a-f.org

Dear Financial Accounting Foundation:

This letter is to express my support 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 changes in financial statement reporting requirements for small businesses and the users of their financial statements, which are primarily the owners of the small businesses, but also include bankers/lenders, insurers, venture capitalists and others.

I believe a systemic problem exists. The current standard-setting process does not adequately take into account the needs of small private businesses. There is also an increasing lack of relevance of accounting standards for small businesses, their financial statement users, and their accountants. Small businesses do not have the resources that large public companies and therefore need a different set of standards. Further, the panel was correct in that it does not make sense to incur significant costs to comply with standards that have become ever more irrelevant for small businesses.

In addition, substantive differences in current and future standards for small private businesses, where appropriate, are necessary. The problem is fundamental, and not just about disclosures and relief on effective dates for new standards. Small business financial reporting, as it stands now, is too complex, embodies too much irrelevant information and too costly and time-consuming given its benefits.

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 standards are unlikely to occur, just like with past committees and efforts.

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. From my experience as a CPA for small businesses, I know that differential standards and an autonomous standard-setting body to implement them for small businesses are needed now.

Thank you.

Sincerely,

McKay Marriott
CPA practitioner
Johnson & Moser