

September 14, 2011

Board of Trustees
Financial Accounting Foundation
401 Merritt 7
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presidentsdesk@f-a-f.org

Dear Financial Accounting Foundation:

I have carefully read and followed the current dialogue relative to standard setting in the U.S.

With respect to the Blue Ribbon Panel recommendations for Private Company Financial Reporting, ***I currently do not support their recommendation or conclusions.***

I view the potential options for Private Company Financial Reporting to be:

- Convergence with IFRS
- Current U.S. GAAP
- IFRS for SMEs
- Separate Private Company Financial Reporting

Various methods of financial reporting for preparers, students, and users only increases the complexity and cost of educating and training.

My clientele are primarily privately held companies, however I also have clients that are subsidiaries of foreign owned companies. The users of these financial statements are owners, lenders, and potential buyers.

For owners – they basically are concerned about:

- Consistency of reporting so they can monitor and measure their business operations.
- They only become concerned about potential buyers' perspectives when they decide to sell and if those perspectives will affect the sale price of their company.

For lenders – the creation of another set of standards will only create greater confusion for them since they evaluate financial statements for public companies, private companies, U.S. subsidiaries of foreign owned public and private companies and therefore they may see financial statements prepared in accordance with IFRS, U.S. GAAP, IFRS for SMEs, or under a new set of standards. How do they write loan documents indicating a uniform consistent



basis of accounting? Most loan documents indicate prepared in accordance with GAAP. Are we now proposing all of the above methods are acceptable GAAP?

For potential buyers (investors, public companies, private equity funds, etc.) – What basis will they now prepare financial statements on? Since it is their desire to grow their investment and then sell it, will they now require their privately held company to prepare their financial statements on a basis of accounting for their eventual buyer? What if a public company sells a division to a privately held company? Will they now be required to change their method of accounting?

How do we educate future CPAs? What method of accounting will be taught to our college graduates?

I believe convergence with IFRS and IFRS for SMEs is the most logical way to proceed as the World moves to consistent measurement.

If you would like my assistance further or to join a committee, I am pleased to volunteer my services.

Best regards,

BARNES WENDLING CPAs, INC.

A handwritten signature in black ink, appearing to read "Michael Pappas".

Michael Pappas, CPA
Chairman & Director of Accounting & Assurance Services