

From: [Michael Abel <mabel@gehrescpas.com>](mailto:mabel@gehrescpas.com)
To: [President's Desk](mailto:mabel@gehrescpas.com)
mabel@gehrescpas.com
Date: 9/21/2011 2:05:26 PM
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:

I strongly urge the FAF to 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. Such historic change is necessary to effectively bring about truly useful financial reporting 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. THE CURRENT STANDARD SETTING PROCESS IS BROKEN WHEN IT COMES TO PRIVATE COMPANY FINANCIAL REPORTING. Further, the panel was correct in that THERE IS VERY LITTLE RETURN ON A PRIVATE COMPANY'S INVESTMENT IN CURRENT GAAP FINANCIAL STATEMENT PREPARATION AND AUDITING SERVICES FOR GAAP FINANCIAL STATEMENTS.

In addition, substantive differences in current and future standards for private companies, where appropriate, are necessary. CURRENT GAAP REQUIRES WAY TOO MUCH IRRELEVANT DISCLOSURE AND PRESENTATION. THE GAP CONTINUES TO GROW BETWEEN WHAT IS NECESSARY DISCLOSURE FOR PUBLICLY TRADED COMPANIES AND WHAT IS TOTAL OVERKILL FOR PRIVATELY OWNED COMPANIES.

Further, a new, separate body with standard-setting authority must be established directly under FAF and not subject to FASB approval. THE FASB BOARD SHOULD CONTINUE TO WIELD ITS EXPERTISE WITH THE PUBLICLY TRADED COMPANIES. IT HAS SHOWN ITSELF TO BE GROSSLY OUT OF TOUCH WITH THE NEEDS OF PRIVATELY OWNED COMPANIES OVER THE LAST 30+ YEARS. THE PROOF IS IN THE SURGE IN OCBOA BASED FINANCIAL REPORTING OVER THAT TIME PERIOD. FAF SHOULD GET IN FRONT OF THIS ISSUE AND ACKNOWLEDGE THE NEED FOR A SEPARATE, AUTHORITATIVE, INDEPENDENT STANDARD SETTING BODY FOR PRIVATELY HELD COMPANIES.

PLEASE WAKE UP AND TAKE A REALISTIC LOOK AT WHAT IS GOING TO HAPPEN IN THE PRIVATE SECTOR FOR FINANCIAL REPORTING. Differential standards and an autonomous standard-setting body to implement them for private companies are needed now.

IF YOU HAVE ANY QUESTIONS REGARDING THIS LETTER, PLEASE DO NOT HESITATE TO CONTACT ME AT 260-482-9600.

Thank you.

Sincerely,

Michael Abel
CPA practitioner
Gehres & Associates, P.C.