

AICPA Blue Ribbon Panel on Standard Setting for Private Companies

All respondents:

3.) Tell us about any issues or concerns you have with current U.S. GAAP accounting standards as those standards apply to private company financial statements.

I work and prepare financial statements and disclosures for a privately held Company. The BOD would like the Company to follow GAAP. The problems we have encountered with applying US GAAP is at the end of the year when we are being audited and preparing financial statements. The more complicated the accounting standards, the less inclined the BOD is to following US GAAP. Basically, they view new standards as adding value or not. Our BOD tends to focus on the business and taxes as opposed to the GAAP financial statements. Some examples are: Comprehensive income; restatement of financial statements due to a change in accounting principle i.e., change from completed contract to % of completion; the derivative standard, as it applies to the disclosure burden; LIFO accounting; lease accounting; and Fin 48.

It seems that the more complex the standard the least likely the lay person can understand the financial statements. I had previously worked for a public Company and prepared the SEC 10Q's and 10K's and it seemed that even in the public arena there was very little understanding of the more complicated standards noted above. While I believe that there is a need for a comprehensive set of standards, I do believe that private Company GAAP should have some modifications.

4.) What short-term and/or long term actions do you believe are necessary to address those issues or concerns?

I believe that the right approach is the Blue Ribbon Panel addressing the need for some modification of US GAAP for private Companies. Overall GAAP makes sense but when you add more and more complexity (derivative standard) the more likely you will loose your audience. Notably the BOD who are more interested in how the business is running, not how perfect the financial statements and disclosures are

5.) To what extent, if any, would an SEC requirement for public Companies to adopt IFRS at a date certain affect your answers above? Why?

Again, I think that if public companies are to adopt IFRS on a certain date, I think private companies should have more time to adopt. As an example, the deferral for private companies in adopting FIN 48. Once the dust settles with the adoption by public Companies, audit firms have a better idea of what is required, within reason, for private companies.

b.) To what extent, if any, would other outside factors affect your answer above? Which factors and why?

I think that any new GAAP pronouncement or any type of change should have a different adoption date for public and private companies. First give them to public companies and then give them to private companies a year or two latter.

6. Is there any other input that you'd like to convey to the Panel? No, I think that there needs to be a modified version of GAAP for private Companies. Primarily focusing on ease of use and understanding and adoption of new principles at a later date.

7. Do these responses represent your individual views or are they submitted to represent the views of the organization with which you are associated? Both