

“Blue-Ribbon” Panel
Written Submissions from Constituents

1. See attached PDF
2. NA
3.
 - a) I believe GAAP has become far too complicated for private companies, particularly those in the mid-market tier or small market tier. Accounting treatments are too complex and for the most part provides little useful information to financial statement users. Disclosures are also far too complicated and most readers and users of private company financial statements do not understand them or care. I also believe that GAAP does not serve the best interest of the users of financial statements of private companies. These users being primarily financial institutions, sureties and owners.
 - b) These issues pertain largely to specific standards. Fair value measures, stock options, consolidation under FIN 46R, Goodwill impairment versus amortization, new proposed lease accounting, and several others I cannot think of right now. The move to IFRS concerns me as it creates the potential for pervasive problems and is moving GAAP related issues for private companies in the wrong direction.
 - c) I believe the concerns mentioned above are related to private companies. There needs to be a simplified non-IFRS solution for private companies.
4. There needs to be a simplified version of GAAP for private companies that meet the needs of users. This may require a complete re-write or at least modification of some current standards. Consolidation under FIN 46R is a good example. Most banks don't need the consolidated information. In some cases they require combined financial information and when that is the case, great we'll combine, but a standard requiring consolidation of SPEs or VIEs? Why? What risks are being addressed requiring a private company to consolidate rather than combine when the bank requires it? Private companies don't use and likely never will use SPEs or VIEs in the same manner as the Enrons of the world so why require it. How about stock options. Yes, private companies offer stock options, but these plans are simple and the users of the financial statements could get by with very simplified disclosures. A bank or a surety and most business owners could care less about 2 pages of required disclosure, and most cannot afford the required annual valuation. The focus seems to be getting away from EBITDA for public companies and more concerned about balance sheet, at least that is the direction of IFRS. The fact is that owners, banks and sureties rely very heavily on the EBITDA and less emphasis on the balance sheet. To take the case of leases. Right now proposed lease accounting will make nearly all leases capital leases. From the perspective of a past CFO and speaking for my bank users, this is a complete 180 degree wrong move. The simple fact is that for these users, leases should be required to be considered operating leases. CFOs and banks need to know the true cash impact of leases on EBITDA and operating leases is the only way to get there. Capital lease treatment allows the interest and depreciation associated with that lease to be added back for EBITDA thus giving the illusion that leases don't impact EBITDA which is supposed to be a closer reflection of cash flow.
5. No effect, because I am referring to private companies not public companies. I believe that IFRS is a move toward simplification for public companies, it however is not for private.

6. Please give serious consideration to the needs of the largest user groups of private companies; these being primarily owners, financial institutions and sureties. Current GAAP is not meeting their needs and I believe that as a profession we must do a better job. We have focused for so long on what we believe the needs of stockholders and regulators are for public companies that we have over looked the fact that 80% of the businesses in this country are private small or medium businesses, and current GAAP has come at a very high cost to them for which they find complex and useless.
7. These responses represent my individual views.