September 15, 2010

Blue Ribbon Panel Financial Accounting Foundation 401 Merritt 7, P.O. Box 5116 Norwalk, CT 06856-5116

Panel Members:

We are interested in providing our input to the Blue Ribbon Panel on how accounting standards can best meet the needs of U.S. users of private company financial statements. Rea & Associates, Inc. is a regional accounting firm of approximately 200 employees and \$30 Million in revenue with 9 offices in Ohio. The majority of our clients consist of privately owned businesses so this topic is of very high interest for our firm and our clients.

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

It is important to reduce the disclosure burden that is faced by private companies. The standards issued over the past several years (specifically FIN 46R, FIN 48 and fair value accounting) have created a financial burden on the private company financial statement preparers. A very small number of our clients have the technical expertise on staff capable of understanding and implementing many of the reporting and disclosure requirements. The additional time required to address all possible issues based upon current GAAP creates increased costs without providing any additional benefits. Because of this, more and more of our clients have considered reporting on an OCBOA, which could lead to more inconsistency in financial reporting when comparing entities. Many of the standards, while sounding appropriate from a theoretical standpoint, are too complicated to fully understand and implement and therefore are not applied consistently. In many cases the information required is not relevant to the decision making process of the user, so it is work that has to be done when no one is using or benefiting from the information. The primary users of the financial statements of private companies and NFP's are banks, insurance entities, donors and internal management including boards. Reporting should be based on what the primary users want, which is relevant but simplified information that can present the proper highlights and overall picture of an entity. The users of the financial statements typically have direct contact with the preparers and or the CPA firm which is unlike the public company arena.

b) Are those issues or concerns confined to one or more specific standards, or are they more systemic?

We consider our issues and concerns to be systemic. Standards seem to be issued based on the needs of public companies and their users where the users of the financial statements are in the thousands or more and have no direct contact with the preparers or CPA firm. Some specific examples over the last few years as referred to above, include consolidation of Variable Interest Entities, Accounting for Uncertain Tax Positions and Fair Value Measurements which all involve some very subjective judgments for measurement, reporting and disclosure.

c) Do you believe that those issues or concerns are largely confined to private companies, or are they broader? Please be as specific as possible in your answers.

In addition to private companies, the issues raised also apply to not for profit organizations since they generally also have limited resources.

4. What short-term and/or long-term actions do you believe are necessary to address those issues or concerns? Please be as specific as possible in your answer, and explain your reasoning.

The three issues mentioned above as well as others that do not enhance the quality of information provided to management and users of the financial statements should be changed to optional for privately held companies and NFP's. For the most part, users of private company financial statements are either management-which uses them for planning purposes or lenders or other creditors, which are interested in actual assets and liabilities and cash flow.

Longer term, making sure to have representation of private company preparers, CPA's and users when setting standards and establishing a basic set of accounting standards which would be applicable to all entities. This basic set then could be added to as necessary for public entities, not for profits, and private entities engaging in more complex transactions with more sophisticated users.

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

No effect, the same considerations should be made when setting international standards. There are already IFRS for SME's that can be adopted now which are much simpler than GAAP. An adoption of IFRS by the SEC for public companies could impact private companies, however. As with many other issues, actions taken by the SEC seem to work their way down to the private company sector. It could impact the acceptability of IFRS by other users. The U.S. risks losing leadership in the world and losing control of standards if IFRS is not adopted. IFRS may force the U.S. to look at tort reform.

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

If the response from users of the financial statements indicates significantly different opinions then their concerns should definitely be addressed, since that is what should drive financial reporting.

6. Is there any other input that you'd like to convey to the Panel?

The focus of the standards setters recently seems to have been large publicly held companies. This approach hurts closely held companies and the accountants that service them. There seems to be no consideration of the cost to implement a standard, whether in terms of internal resources or external costs for the additional work necessary to comply with new standards.

The issuance of complex subjective standards potentially exposes professionals to liability associated with misapplying or not applying those standards. Most CPA's, especially small practitioners, that service privately held companies do not have the resources available to study new pronouncements and determine how their clients should apply them.

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

These responses represent the views of our firm.

Christopher A. Roush, CPA Rea & Associates, Inc.