

SENSIBA SAN FILIPPO LLP

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

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Tim Woo
Financial Accounting Standards Board
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United States

Via e-mail: tswoo@fasb.org

In RE: AICPA/FAF/NASBA "Blue-Ribbon" Panel on Standard Setting for Private Companies -
Submissions from Constituents


Greetings Mr. Woo,

As a firm, Sensiba San Filippo consists predominantly of private companies from various industries and our client base is directly impacted by new pronouncements and modifications of GAAP. We have become acutely aware of the consequences, intended or not, of changes in US GAAP on private companies. We serve a variety of industries in our portfolio of private company clients, which we believe provides us a good base to make reasonable and conscientious contributions to improving US GAAP for private Companies.

We fully acknowledge the challenges that standard-setters face in addressing new business models, changing technologies and new methods of business transactions. We anticipate that the rate of change has and probably will continue to increase. It is clear to us the standard-setters put in a tremendous amount of effort to address these challenges and we hope that our involvement is beneficial to this process and most of all to our clients.

Thank you for your time and consideration.

Respectfully submitted,



Sensiba San Filippo LLP

With respect to Questions for Submissions

1. Please complete the form to help compile information on the respondents and send as a separate attachment

Separate form attached.

2. Users (e.g., lender, surety, investor, owner) only:

This section is not applicable for our response as we are a CPA firm.

3. Questions for All Respondents:

a) 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.

As a service provider to private companies we have had significant challenges in serving as our role as trusted advisers to our clients, as we are now spending a considerable amount of time absorbing and helping our clients adopt new, ever changing, and highly complex accounting standards. Very often private companies do not have the resources in terms of time, money or skill sets to address the issues raised by these standards, which creates a significant problem for our clients. The added complexity of GAAP makes our value proposition to our clients as an auditor increasingly difficult to explain. We hear frustration from the management of the companies we serve as they divert resources from business-generating activities to financial reporting activities. When we present the results of the audit to the board of directors and investors we hear complaints about the lack of usefulness of financial reporting. We are experiencing an increase with these frustrations and complaints on a regular basis. Too often the risk that the accounting standards intend to address for a public company is not applicable to a private company. Ultimately this leads to frustration and misunderstanding, and diminishes the usefulness of the financial statements.

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

We believe the issue is systemic. The perception is out there that the focus of standard-setters is on issues affecting public companies with scarcely any attention to the significant impact on private companies. Evolving standards relating to revenue recognition, accounting for warrants, and uncertain tax positions, just to name a few, have put an increased strain on management of private companies to understand, adopt, and prepare the necessary disclosures. Our clients, as well as the users of the financial statements, are telling us the statements are becoming harder to read and ultimately less valuable.

c) Do you believe that those issues or concerns are largely confined to private companies, or are they broader?

As we primarily serve private companies, our frame of reference is primarily on the application of GAAP for private companies.

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.

We strongly endorse the objectives of the Blue-Ribbon Panel to address the issue and we believe the timing couldn't be better. We really appreciate the ability to participate in the process and we feel that input, from a broad cross section, especially the users of the financial statements, will lead to the most beneficial outcome.

The diversity of the structure of the private companies; range of industries that private company serve; the varied stages of development; the significant range in size of companies (revenue / headcount); and the varied skill levels of the financial reporting teams at private companies creates for a much more varied and heterogeneous landscape in the private company environment as opposed to the public reporting entities. The establishment of the Blue-Ribbon Panel clearly acknowledges these differences, as well as others, and we believe that the Scope of Review proposal appears to serve as a good foundation to address these considerations.

Implementation Challenge -

We believe that a particular reason to have a different standard-setting process for private companies as opposed to public companies is the varied financial reporting skills at private companies. The challenges that many private companies face is the inability to adopt to the changes in GAAP because they do not have the time, background training or inclination to tackle the significant implementation issues that arise. As such we fully recommend that a prime directive of standard-setters should be to focus on what it will really take to implement the guidance across such a varied landscape of companies.

Feedback loop -

The standard-setters need to reach out in new methods to the private companies in ways that are different than they are today. Increased use of tools to make people aware of proposed changes, advanced use of technology, and evolving methods of getting feedback from affected companies should be tested and continuously improved. Not all methods will work for all situations and as the standard setters really focus in on the needs of such a large and diverse group as private companies, they will need all the tools they can have in their arsenal.

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

Clearly we believe that adoption of IFRS would need to be considered if a different form of GAAP would emerge for private companies. We also believe that the concepts of IFRS on the face would be good basis for a private company GAAP. By this we believe that private companies would benefit in focusing on principles based rules with added disclosure requirements which is consistent with the IFRS model as opposed to a rules based approach.

5b) To what extent, if any, would other outside factors affect your answers above? Which factors and why?

The overall economy is always a factor and the timing and implementation of change needs to be synced up with economic realities.

The standard-setters also need to look to the challenges imposed on private companies from a tax perspective as well. Private companies need to adjust to and adopt those changes as well as changes in GAAP

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

No.

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

This response was developed based on firm sponsorship.