QUESTIONS FOR SUBMISSIONS

All respondents:

1. Please complete the form to help compile information on the respondents and send as a separate attachment. The results of question 1 will not be posted to this webpage for public viewing.

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

2. a) Briefly describe how you use GAAP financial statements in your decision-making concerning private companies.

b) Tell us about any issues or concerns that you may have with respect to the relevance of the information contained in those statements. Please be as specific as possible in your answer.

All respondents:

3. 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.

With a few exceptions, private companies currently have identical reporting requirements to public companies. I feel there are additional opportunities to save costs of compliance without adversely affecting quality of reporting. A quick survey turns up the following areas that may have opportunity for savings (there are probably others):

- FAS 157 disclosures for private entities with only Level 1 investments could be simplified
- The upcoming lease standard should be delayed for private entities, pending thorough evaluation of its effects on private entities
- VIE accounting could be simplified or eliminated for situations where the VIE is owned by the owners of the reporting entity and is the landlord of the reporting entity’s facilities. Users of the entity’s financial statements are aware, or should be aware of the arrangements, especially since the primary outside user is usually a bank that also finances the landlord’s leased facilities.

b) Are those issues or concerns confined to one or more specific standards, or are they more systemic? Some specific standards are of concern, but really more systemic. Standard setters almost always assume that all pronouncements are appropriate and relevant for all entities. They seem indifferent to the needs and practical limitations of private companies. In fact, users of private entity statements normally have much greater access to source data and other detailed information not available to users of public entity statements. Therefore, the treatment prescribed and level of detail of required disclosures is often redundant if not irrelevant in a private company setting.

Example: the proposed new lease standard will create a significant amount of work for private companies to calculate and disclose the related assets and liabilities. Some of this new information will be difficult for public companies to develop, even if they have people with the
time and technical expertise to accomplish it. Private companies generally have neither of these. In addition, the private company's user is generally an owner, bank, or insurance company, although some vendors do require statement copies. In each of these relationships there is typically a high degree of personal interaction directly between management, which is often the same as the owner(s), and the interested party. These interactions offer the chance for the user to obtain information which may not be available to many (or most) users of public company statements.

c) Do you believe that those issues or concerns are largely confined to private companies, or are they broader? The effects of standard-setter indifference as described above are not confined to private companies.

Again, using leases as an example, many large public companies expressed concern over some provisions in the discussion paper. The requirement to estimate and account for contingent lease payments is one such concern. Despite many opinions pointing out the significant uncertainty involved in such calculations and even the conflict with the definition of liabilities in the basic accounting model, the requirement remains in the joint FASB/IASB conclusions to date.

The Boards seem to have come to the philosophy that recognition and disclosure should be preferred even if disclosure alone will provide sufficient relevant information.

Please be as specific as possible in your answers.

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 Boards need to be more sensitive to the circumstances and environment in which private companies operate. Careful consideration needs to be given to the effect of new standards on private companies and whether the objective of the standard at a public company level is relevant, or is already being achieved in practice, at the private company level.

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, since private companies rarely have to report under SEC rules, and IFRS-SME is already available for use by U.S. based private companies that choose to do so.

b) To what extent, if any, would other outside factors affect your answers above? Which factors and why? None

6. Is there any other input that you'd like to convey to the Panel? None

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 are my individual views.

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