To: Tim Woo tswoo@fasb.org
From: Kenneth R. Posner, ACIPA Member #01000219
Re: Standard Setting for Private Companies

QUESTIONS FOR SUBMISSIONS

All respondents:

1. See attached

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. NA

   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. NA

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. I believe that “standards overload” is and should be limited to the level of required disclosure for private companies. I concede that many users of private company financial statements are not interested in the enormity of disclosure that U.S. GAAP has evolved to in our ever more complex world. That said, the notion of having differing recognition and measurement principles based, in essence, on the number of stockholders is absurd. It is to suggest that somehow a liability for a public company is not a liability for a private company. I give the panel more credit than that. Moreover, the panel could have just as easily considered different standards based on revenues, number of employees or total assets. And, they didn’t because those measures are just as ludicrous as how many people own the enterprise. The underlying reason this is even being considered is because the franchise of the AICPA is at stake. With the SEC and PCAOB rendering the AICPA irrelevant for standards setting in the public company domain, Barry and the gang had to come up with a justification for their existence. Given that the majority of the members are sole or smaller practitioners, it was a no-brainer to get them to rally around the idea of “little gaap” for their clients. Sadly, that does not make it the right answer.
b) Are those issues or concerns confined to one or more specific standards, or are they more systemic? My concerns are confined to having recognition and measurement standards that are consistent for all companies. I am fine with reduced disclosure for pension plans, financial instruments, etc. However, I firmly believe that the assets and liabilities should be measured the same for all size and shape enterprises.

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

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. I believe the panel of my learned colleagues should focus on helping smaller practitioners and their private company clients by reducing or eliminating those disclosures that are not helpful to the users of the particular financial statements. Lenders may not be interested in a borrower's capitalized and operating leases or the NPV of the retirement plan vested liability. They should, however, be concerned that the recognition and measurement of these liabilities is consistent across their customer base.

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? Firstly, the SEC is going to adopt a date (probably 2015). This, in combination with the FASB and IASB convergence project is going to revise GAAP in all three areas of recognition, measurement and disclosure. GAAP will become IFRS if the United States intends to participate in the global economy. When that happens, GAAP or whatever else it is then called will be applicable to all enterprises, big and small, public or private. I recognize and fully expect that private company adoption will be given a longer period than public. This is appropriate as it is taking the public world approximately ten years to figure IFRS out.

b) To what extent, if any, would other outside factors affect your answers above? Which factors and why? I can't think of any.

6. Is there any other input that you'd like to convey to the Panel? Just one final request not to start sliding down the slippery slope of "little gaap".
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 views are my own.

If you or your organization would like to submit your responses to the questions, please email them to Tim Woo, tswoo@fasb.org, no later than Wednesday, September 15, 2010. All submissions will be considered public and will be posted to this webpage for public viewing. A summary of the responses received through September 15th will also be prepared and distributed to Panel members and participating observers. The summary will also be included as part of the observer notes (publicly available meeting handout) for the Panel's next meeting, on Friday October 8th, in New York City. To facilitate the staff's ability to read and summarize the submissions, we ask, notwithstanding our request for specificity, that you please try to be as succinct as possible in your responses to the questions.

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