Thank you for the opportunity to provide comment on standard setting for private companies.

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 am concerned with the current complexity of U.S. GAAP accounting standards as those standards apply to private company financial statements. My understanding is that, at least to some degree, the complexity of contracts into which companies enter greatly influences the complexity of accounting standards. However, it seems to me that the complexity of U.S. GAAP accounting standards could decrease.

I am also concerned with the breadth and pace of recent draft and proposed standards being released by the FASB. My understanding is that convergence with international accounting standards is one reason for the current depth and pace of proposed changes. The breadth of recent draft and proposed standards has vast potential change – revenue recognition, leases, financial statement presentation, financial instruments, etc. I am concerned that the pace and breadth of these potential changes will not allow for adequate time for consideration of and public comment on the impacts of these proposed changes. I am concerned that these new standards will result in half-baked (lower quality) accounting standards. More time for consideration and public comment would increase the likelihood have of having higher quality accounting standards. Alternatively, a delayed implementation date for private entities may result in a higher-quality result for private companies, although public registrants may not appreciate not receiving a delayed implementation date.

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

Some of my concerns above are more systemic.

For my current client base, it seems that accounting for certain debt, equity, revenue recognition, financial instruments and derivative issues are the more complex accounting issues affecting private companies. Several of these private entities are dismayed by U.S. GAAP accounting and disclosures regarding these issues, and several clients also question the benefit provided to their company and its financial statement readers.

c) Do you believe that those issues or concerns are largely confined to private companies, or are they broader?
I believe that these issues or concerns are broader than private companies. Smaller public reporting companies, and also perhaps some unaccelerated and accelerated filers, may not have large accounting divisions. These companies’ resources are limited, and in some regards their accounting resources are similar to private entities. While on average public registrants have more experienced accounting personnel, smaller public companies’ limited resources constrain their ability and efforts to stay up-to-date with new accounting pronouncements and the complexity of U.S. GAAP.

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 that the short-term action of allowing more time for consideration of and public comment on the existing proposals is necessary to address the above issues or concerns. Allowing more time for consideration and public comment would increase the likelihood have of having higher quality accounting standards.

I also believe that either of the two following long-term actions is necessary to address my above issues or concerns:

i. Simplifying current U.S. GAAP accounting standards.

ii. Creating a Small-to-Medium Enterprise (SME) set of U.S. GAAP accounting standards, similar to the SME IFRS accounting standards that have been released for IFRS.

My opinion is that one set of accounting standards is preferable to two.

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?

An SEC requirement for public companies to adopt IFRS at a date certain would only affect my answers above to #4 regarding creating an SME set of accounting standards, as an SME set of accounting standards already exists for IFRS.

I believe that my concerns or issues expressed above would still be valid regarding IFRS, as much of the breadth and pace of new accounting pronouncement appears to be (at least in my opinion) influenced by convergence between IFRS and U.S. GAAP.

I have two additional concerns if an SEC requirement existed for public companies to adopt IFRS at a date certain. My additional concerns are:
i. Whether or not U.S. regulators, financial statement users, investors, auditors, etc. would have an adequate voice in the direction of future accounting pronouncements. Stated differently, I am concerned that the U.S. constituency would have adequate representation and influence in the future promulgation of accounting standards.

ii. The trickle-down effect on private entities. It seems that eventually IFRS would become required for private entities once IFRS is required for public registrants. Although U.S. GAAP is undergoing convergence with international standards, it seems that conversion issues would still remain for private entities upon IFRS becoming required for private entities.

I am aware that certain countries have already created country-specific IFRS modifications. Perhaps the FASB could continue by creating a U.S. version of IFRS. However, I doubt the IASB would appreciate a U.S. version of IFRS.

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

A delay for adoption by private entities of certain accounting pronouncements may be preferable in the future. For instance, I’m not aware of anyone who didn’t appreciate the delayed adoption of FIN 48 for private entities.

I am not aware of any other outside factors that would affect my answers above.

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

No, not at this time.

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

My responses represent my individual views.