AICPA/IFAP/NASBA "Blue-Ribbon" Panel Written Submissions from Constituents

Responses to Questions

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.

N/A

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.

N/A

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.

The continuous barrage of new and complex accounting rules and disclosure requirements place an unnecessary burden on small businesses and their CPA’s. The consolidation requirements of FIN46 and the income tax disclosures of FIN48 are good examples of this, and there are many others. Management is required to be responsible for the fair presentation of the financial statements. I do not know how the owner of a small business with an accounting department that consists of a bookkeeper or an unsophisticated controller can be expected to take responsibility for the analysis required under FIN46 or FIN48. Even experienced staff in my office have difficulty with this. When small business owners rely on their CPA’s to draft their financial statements, the issue of whether the CPA is truly independent also arises.

Many of my clients have opted to report on the cash basis or the income tax basis. Others have chosen not to adopt FIN46, FIN48 or other GAAP standards because compliance is too burdensome. This is a troubling trend. I believe that a separate, less burdensome set of accounting and disclosure rules for non-publicly traded companies would be welcomed by the small business community and would be easily accepted by users of private company financial statements.

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

The issues are systemic.

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

The issue of overly burdensome financial reporting requirements affect both public and private companies, although public companies are better equipped to deal with it.
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.

   In the short-term, a separate, less burdensome accounting and reporting option should be available to private companies. This has been studied long enough; it is time to implement. In the longer term, the standard setting bodies should reconsider their approach. Rather than adding complexity year after year, the cost versus benefit of all existing standards for both public and private companies should be re-assessed with the goal of simplification.

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?

   Any attempt to simplify public accounting standards would have to be coordinated with IFRS.

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

   No effect

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?

   The responses are my individual views.