All Respondents:
2. a) The issues and concerns I have are broad and many. First most small private companies are either S corps or LLC’s so many of the pronouncements of current GAAP do not apply such as Income taxes etc. We purport to give our lenders “GAAP” financials but they are not in compliance with the massive and complex standards that exist. The standards that most private companies do not even try to comply with are related to Income Taxes such as FIN 48, deferred income taxes and the like. Other areas not generally complied with are Comprehensive Income, Income from Discontinued Operations, Hedging and Swaps SFAS 133 -> 137 and 138, Goodwill Impairment SFAS 142 among many others. Another area that is generally not complied with is Depreciation as most companies use the tax depreciation for financial reporting and in many cases the differences might not be material but it does not matter because no one does it unless audited. Also impairment of long lived assets based on discounted future cash flows. No one does it in smaller private companies. We never present a Statement of Changes in Stockholders’ Equity unless audited.

2. b) These issues are systemic. You guys probably are unaware of how complex and how voluminous the current version(s) of GAAP are. You live in the jungle every day but those of us out in the economy doing day in and day out financial reporting find it almost impossible to even keep up with the changes in GAAP and what current GAAP applies to our companies situations and financial transactions. Most people no matter how well educated can not read much less understand a GAAP financial report with all the required disclosures and corporate annual reports from the big guys are impossible to read. They are for use by the “financial elite” who probably do not understand them either.

2. c) The concerns are much broader. The examples of fraudulent financial reporting by large Wall Street companies in the last decade are too numerous to even mention. This is usually signed off on by one the largest public “accounting” firms in the country. You need to get the message -> GAAP is too complex for all of us, everybody. There is I believe an inherent problem in the CPA profession today and that is the loss of morals and ethics. The complexity of GAAP allows those individuals in the profession who do not have the requisite scruples and ethics to manipulate financial information and reporting. When GAAP is so complex that financial fraud can happen any and every day then there is something wrong.

3. Simplify, simplify, and simplify GAAP. Let common sense prevail.

4. a) It would not make any difference. We will adopt IFRS if it becomes the norm. Hopefully it will be simpler.

    b) No comment

5. Just what I have written above.

6. They represent my individual views as a CPA with over 30 years experience in audit, internal audit, private company financial management and reporting, new business and bank startups and income tax.