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. In our view, certain U.S. GAAP requirements for measurement and disclosure are extraneous to the users of private company financial statements. Examples of this include, but are not limited to, the following:

**Defined Benefit Plan disclosures and accounting**

In our view, the main concern of a user of the financial statements of a defined benefit pension plan would be to understand whether the Company has the ability to fund its plan and what would that obligation be in the future. Information that does not directly support this concern might be considered extraneous to the user.

**Fair value disclosures and accounting**

We believe that required disclosures related to input levels and amounts, together with tabular reconciliations of changes in level 3 inputs, is poorly understood and of limited use to the users of private company financial statements.

**Income tax disclosures**

In our view, the main concern of a user of the financial statements would be to understand what the company owes for its tax obligations. Information, that does not directly support this concern, might be considered extraneous to the user.

b) Are those issues or concerns confined to one or more specific standards, or are they more systemic? The standards and pronouncements listed above are an indication of a more systemic issue. It appears to us that GAAP has evolved over the last thirty years from a series of events (i.e FIN 46 resulting from Enron) as opposed to determining principles and reinforcing those principles with pronouncements.

c) Do you believe that those issues or concerns are largely confined to private companies, or are they broader? The issues affect all companies. However, larger companies have significantly greater resources available in order to implement the required accounting and reporting standards. In addition, the users of the financial statements of some public entities may be more sophisticated and better equipped to understand and utilize the expanded disclosures.

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. We would recommend that a more principle based accounting and reporting model be made available to the users of private company financial statements. This model is needed because the pace at which standards are being promulgated and the relative complexity of those pronouncements is difficult to
remain current with, even for accountants that are in the profession. It is virtually impossible to expect that financial and accounting staffs of private companies remain abreast of the developments. An example of a principle based model that could fill this need would be IFRS SME since it has been classified as GAAP by the AICPA. However, a move to adopt IFRS SME would require education of the public as to its differences with US GAAP. Any such “replacement” reporting model should be presented as an equal substitute to the current large company GAAP model. Currently, the only other models utilized in practice are OCOBA models and GAAP departures models. Many users (e.g. banks, acquiring companies, etc.) find these alternatives not acceptable in transacting business with the entities that utilize them.

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? We believe that if and when a SEC requirement to adopt IFRS is issued, it will force (due to the demands of the users of private company financial statements) more private companies to adopt IFRS. This could represent an additional challenge to private companies in terms of having the resources necessary to convert to IFRS from US GAAP. Therefore, it would be even more important to have another reporting model like IFRS SME generally accepted by users, at the time of any required IFRS adoption by SEC companies, so that private companies could adopt this alternative reporting model and not have to follow full IFRS.

b) To what extent, if any, would other outside factors affect your answers above? Which factors and why? We believe that our answers above could be affected by the users of the private company financial statements. Ultimately, business owners are trying to respond to the information (e.g. financial statement) requests of such users. Therefore, the users will play a significant role in the development of such matters and how they are played out in business situations.

6. Is there any other input that you'd like to convey to the Panel? We would like to see more appreciation by standard setters of the following facts:

1) The disclosure requirements designed for public companies are not always relevant to private companies
2) The cost of such standards to private companies can be significant without a corresponding benefit to those users. As an overarching principle or objective, the Panel needs to fully understand the needs and requirements of the users of private company financial statements. Possibly, some type of cost/benefit equation that evaluates the cost to the private companies versus the benefits of the additional information being provided in the financial statements needs to be examined before a standard is proposed or issued.
3) In keeping with the ultimate objective of providing high quality financial information to users of private company financial statements at a reasonable cost to business owners, we feel that standard setters should consider the possibility of “relaxing” the independence standards to allow the CPA to assist more than what they are permitted today, under not-audit services, in
implementing standards for small businesses with limited internal personnel without the need for a non independent disclosure in the reporting or, in the case of reviews and audits, no permitted reporting. The users of the financial statements, most likely credit granters, would probably consider this a benefit to the process knowing that the CPA has had involvement. As an observation as to something that is currently promulgated, the GAO Yellowbook has permitted the preparation of financial statements, as a technical service, as detailed in their July 2002 Question and Answer.

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 views expressed herein represent those of our Firm as a whole.