Item 3. a) – The major issue and concern I have with current U.S. GAAP accounting standards is the cost to benefit issue to our small clients to implement and report on the voluminous standards issued upon those small audits. Most of our clients are required to have audits because of federal or state regulations. Those clients desire the minimum cost for an audit and are upset by the additional footnotes required by GAAP that adds little to the financial statements presented. For example, SFAS No. 165 requires us to footnote the date through which subsequent events were evaluated. This additional footnote would be explainable to the client had GAAP not changed the report date from when fieldwork was completed to the date on which the auditor has obtained sufficient audit evidence to support the opinion. If those who wrote GAAP had to explain to the small business owner how it would enhance the financial statements presented at the additional cost and why the change has to be done this year when it was okay to do it different the previous year, less standard changes would be written. Standards such as FIN 46 and FIN 48 really upset small business owners who make many decisions for tax purposes and want to keep entities under common ownership separated from the business entity that is required to have an audit, because the user often is aware of the entities under common ownership and related party footnotes accomplished the disclosures the user was interested in without auditing the other entities as well. In the same manner, small business owners can agree with and understand the numbers on the basic financial statements, but because they do not know all of the required footnotes to those basic financial statements, they receive a SAS 115 letter indicating a deficiency in internal control because of their inability to prepare the financial statements with appropriate footnotes.

Item 3. b) – I feel there is a systematic problem in the process of setting standards. The current system appears to be addressing issues in the large public company without consideration of the implementation costs or issues to the small business. In the same manner that the 1099 issue included in the health care reform act will have little effect on the large company, implementation to the small company who still keeps their records in ledgers will be immense.

Item 3. c) – I believe most of these issues relate to the smaller company because they do not have the available personnel or resources to keep abreast of the changes in accounting standards. In addition, many small business owners could care less about International Accounting Standards.

Item 4 – Most small businesses are not aware of exposure drafts to proposed changes in accounting standards and have no opportunity to respond to those exposure drafts. I believe a short term solution would be to allow more time to respond to the exposure drafts and to better inform the public and industry organizations of the accounting changes being considered. In addition, the implementation timing should be extended and the effective date of the change should be consistent (instead of years ending after December 15, 2010, why not for years beginning after December 31, 2011?).

A long-term solution action should be the consideration of creating standards for businesses that are not publicly traded and/or businesses with less than 100 shareholders or owners.

Item 5. a) – Unless standards for businesses that are not publicly traded are adopted, an SEC requirement for public companies to adopt IFRS at a date certain would not change my answers. Presently, the trend is a merging between U.S. GAAP and IFRS and small businesses do not care about IFRS or SEC except to the extent it requires their accounting system and reporting to change and cost those small businesses for that change.

Item 5. b) – I am unaware of any outside factors that affect my answers above.
Item 6 – It seems to me that many pronouncements are like shooting sparrows with a shotgun. Changes are being made because of an isolated issue that requires one shot, but the pronouncement carries additional pellets that affect many more companies in which the issue is not as important. A “Mom and Pop” partnership that rents its building to their corporation is much different than the investments entered into by Enron. Small companies rely on their auditors to inform them of accounting and reporting changes. Many firms that perform audits on those small firms have limited resources as well and the constant standards overload being forced on us is overbearing. Most standards are beneficial and needed for large businesses that are publicly traded, but many standards add little, if any, to small business financial statement reporting. The publicly traded organizations should require additional disclosures since these organizations have many investors that are relying on the audit to make their investment decisions and it is our responsibility as auditors to protect those relying on those financial statements. The small organization with few owners or shareholders who are more concerned with the income tax they will pay or are required to have an audit because it is a nonprofit organization whose gross receipts exceed $300,000 because of state regulations should require fewer disclosures. Perhaps, we should have the International Institute of Certified Public Accountants that perform audits on publicly traded organizations and the American Institute of Certified Public Accountants that perform audits on organizations that are not publicly traded?

Item 7 – The responses represent my individual views.