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 current standards setting process has long ignored the impact upon the small to medium sized private enterprise of standards set to meet the needs and issues of large or publicly traded companies. The “one-size” should fit all approach to setting standards has saddled the former with unnecessary cost and useless, sometimes counterproductive, disclosure in financial statements that are oftentimes used only used for licensing, lending and/or surety purposes. More often than not, the lenders or sureties know more about the details of the financial statements that the owners or CPAs and merely use the audited financials as corroboration of the numbers they see on a regular basis. Requiring meaningless disclosures regarding matters such as financial instruments, fair value inputs and methodologies, variable interest entities and non-cash transactions wastes time and runs up costs for all parties involved with little to no benefit for any user of the financial statements of a small business.

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

Based on the above, my feeling is obvious, the problems are systemic, or perhaps cultural is a better word. The culture at the FASB apparently cares little about small business. Those with the time and resources to be fully engaged in the standard setting process readily seize any opportunity to spread their cost of doing business to those of us who don’t have a need for, and won’t benefit from, information required to sell stock on an exchange or conduct business on an international scale.

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

What I see is the classic Big GAAP v. Little GAAP controversy, an argument that the small company invariably loses. While new standards usually have delayed effective dates for the smaller companies, adoption of many of the standards that I’ve seen come from the FASB should not be required of the small enterprise at all. Costs to enable the large company to grow and expand are borne on the backbone of this country (the small business) so that the big boys can flex their muscles. Between the FASB and the federal government, that backbone may soon be broken and the overgrown muscles will be left lying in the dirt.

4. What short-term and/or long-term actions do you believe are necessary to address those issues or concern?

A separate standards setting body, composed solely of advocates/constituents of privately held business, should be formed to promulgate standards with which a privately held business must comply. Forcing the small business to comply with standards designed for a multinational can kill any chance an entrepreneur has for success before he/she even
gets started. Let’s start exercising some common sense and recognize who feeds the vast majority of families in this country.

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?

In the current culture, such a requirement would soon lead to the imposition of IFRS on the privately held business. Any SEC directive that would ultimately require my privately held employer to adopt IFRS would add a few exclamation points to my comments above. We have no need to adopt IFRS. We have no ambitions to do business internationally. We have no designs on a public offering. Our shareholders, bank, surety and licensing agencies are all content with, and understand well, our current financial statement presentation and accounting methods (although they have to wade through a myriad of unnecessary disclosures required by current GAAP). What need do we have for IFRS? Absolutely none! Why should we bear any cost to make such a conversion just so some big company can sell their stock on an exchange or do business in some foreign country?

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

I can think of none. If my employer does ever decide to trade its stock publicly or do business overseas, we should do whatever the SEC or the IFAC require and bear the full cost of doing so. I would not expect our small business counterparts to underwrite our efforts.

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

It is high time that the privately held enterprise had a clear and representative advocate at the FASB.

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

These comments are my own but I believe would be supported by my employer if the owners knew anything about how the FASB operates or even what accounting standards are, let alone how they are established. They expect me to manage my function as cost effectively as possible, which is difficult to do when the government and the industry’s self governing body employ such onerous “Big Brother” tactics, and would agree with my conclusions about how useful “Big GAAP” and IFRS are/would be to our business.