14 September 2010

Dear Sirs

AICPA/FAF/NASBA “Blue-Ribbon” Panel on Private Company Accounting Standards

Kreston International appreciates the opportunity to comment on the questions asked by the panel. Kreston International Limited is a global network of independent accounting firms. Currently ranking as the 13th largest accounting network in the world, Kreston covers 94 countries with 700 offices providing a resource of over 19, 500 professional and support staff. A number of our member firms are involved in the production or audit of US GAAP financial statements for private companies and we have sought their input in preparing this response.

We have set out below our comments on questions 3-7 where the panel requested feedback. Our form, in response to question 1 is attached separately; question 2 does not apply to our organisation.

If you have any questions, please contact Sue Almond (sue.almond@kreston.com).

Yours faithfully

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QUESTIONS FOR SUBMISSIONS

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.

Our main issues relate to the extent to which the standards differ from those used in other jurisdictions and the comprehensive, detailed and prescriptive nature of the standards.

Many countries are moving towards adoption of IFRS, or standards that are broadly similar, at private company level. This is particularly the case since the publication of IFRS for SMEs. The similarity of standards helps particularly for businesses with international links, since preparers and auditors alike have a more common understanding of the requirements, as well as bringing potential commercial benefits such as facilitating external borrowings or investment and overseas transactions.

The level of detail of current standards, and the fact that all the guidance relevant for a particular topic or industry is not necessarily maintained in one place creates particular challenges for international preparers and auditors; a simplified ‘one-stop shop’ such as IFRS for SMEs would greatly assist. For example, many US private companies have overseas operations, yet in this situation, a complex and detailed conversion exercise is often required from the local country GAAP to US GAAP for consolidation and detailed disclosure purposes. We question the extent to which this exercise contributes to the understandability, relevance and comparability of financial statements and whether the cost of complying with the requirements provides users with commensurate benefits.

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

The matters are generally more systemic than specific.

Examples of particular areas that have caused practical difficulty are revenue recognition for bundled software in software companies, the requirements for consolidation or non-consolidation, and industry-specific standards.

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

The issues are broader than just private companies. However, larger listed companies often have greater resources to draw on to address the issues, such as a sophisticated accounts team or in-house valuation experts. Private companies and smaller listed entities typically do not have the resource and so the burden may be greater – for example in dealing with the fair value requirements.
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 encourage convergence with IFRS, including IFRS for SMEs. We support current efforts to work with IASB to develop joint and consistent solutions to issues that have global impact at both public and private company level.

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 support IFRS adoption by public companies and believe that this could help address some of the challenges we see at an international level. As noted under 3a, greater understanding of common standards by preparers, auditors and users will help communications between US business and its international interests and bring potential commercial benefits to those businesses.

   Many countries have found that the transition to IFRS for public companies has led to greater acceptance at private company level, whether because of adoption by private subsidiaries of international groups or greater understanding by users. Should the SEC adopt IFRS for public companies, we encourage consideration of an option to also allow private companies to adopt.

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

   Our response takes account of outside factors such as the move globally for more consistent accounting standards.

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

   We encourage consideration of a timetable for convergence with, or adoption of, IFRS for SMEs. We appreciate that the actual timetable may be extended due to the need to consult with tax authorities and other users, for example over the tax implication of different permissible inventory valuation methods.

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

   Kreston International