To the members of the Blue Ribbon Panel:

The following is my response to the issues expressed in the attached email I received.

1. (a) Current U.S. GAAP is too complex and technical for the accounting staff of most of the smallest private companies in the U.S. The small companies generally have their financial statements prepared to comply with loan or insurance requirements. They view the costs as excessive, with little value attached to GAAP statements. Many of our small clients have no more staff than an office assistant preparing financial information using “Quickbooks”. They depend on their CPA to prepare the financial statements in accordance with GAAP, if and when required. However, when faced with the increased costs of preparing GAAP statements, the small companies are looking for alternatives to lower costs and complexities. Most, since they are already paying for tax services, are willing to settle for “tax basis” financial statements to keep costs at a minimum. So far, most users of the financial statements have accepted the OCBOA financials.

(b) There are many issues in GAAP financials that are concerns for private companies, including, but not limited to, leases, VIE’s, FIN 48, pensions, mergers and goodwill.

(c) Yes, I think most of these issues are confined to private companies. Most all of the accounting standards have been written as a result of a failure in a reporting problem of a company affecting a broad spectrum of shareholders and/or users. These problem areas are addressed to protect the general public. Costs almost always exceed the benefits of GAAP implementation in small private companies. Also, if the user is willing to accept OCBOA statements, why not use them?

2. Short-term relief would require basic GAAP statutes with exclusions for private companies. Long-term issues include responses to the implementation of IFRS for small private companies. The question becomes – “is it necessary?”

3. (a) No effect, as long as the date selected only affects public companies.

(b) No response

4. I am a partner in a small CPA firm. We have no public companies for clients, nor do we perform audits of private companies. Our audit work is mainly governmental and not-for-profit entities.
We perform reviews and compilations of private companies. Additionally, I serve on the Board of Directors of a small, nonpublic Community bank, where my duties include reviewing the credit quality of commercial loans.

In the past four to five years, we have recommended tax basis financial statements for most of our clients. Few companies have staff capable of preparing financial statements in accordance with GAAP, nor do they recognize value in GAAP statements.

The bank is generally willing to accept OCBOA statements with full disclosures for non-audit services. Much of the credit analysis centers around cash flow, collateral, personal guarantees of the owners, personal credit scores, and industry analysis for smaller commercial loans that are provided by Community Banks.

5. These are my views and not necessarily those of my partner.

Sincerely,

Vickie L. Beer

Vickie L. Beer, CPA
Beer, Ream & Co., P.C.