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October 28, 2003

Sue Bielstein, Director Financial Accounting Standards Board 401 Merritt 7 PO Box 5116 Norwalk, CT 06856-5116

Re: Need to Exclude Privately Owned Companies from FASB Statement No. 150

## Dear FASB Board Members:

On behalf of all small, privately owned businesses, we urge the Board to exempt non public entities from applying FASB Statement No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity, as it relates to mandatorily redeemable financial instruments! Under the Statement, amounts historically classified as equity would be required to be reclassified as a liability for many entities that have even simple buy-sell agreements, (whether or not these agreements are funded by life insurance policies or if the equity "buy back" can be paid over time). The implementation of this Statement could be disastrous for many entities that are subject to current loan covenants that require certain ratios or loan criteria based upon certain minimal equity requirements. If the non public entity is considered in default of its loan(s) based upon such a GAAP principle, the costs to the economy could be large or could put many non public entities out of business.

The Statement of Financial Position has always been a snapshot of a company's assets, liabilities and equity at a certain point in time. If the event that triggers a buyback has not taken place at the balance sheet date the liability is still contingent! Under FASB 150, as it concerns mandatorily redeemable financial instruments, how has the user's understanding of the financial statements been improved and at what cost? What about a company with one class of stock, 25% of which is owned by an ESOP and thus shown as equity (FSP FAS 150-d) and 75% of which is owned by stockholders with a buy-sell agreement and classified as a liability? Does FASB 150 really make that a better financial statement for the user?

Of even greater significance to the accounting profession, thousands of small businesses will elect to ignore GAAP, rather than wipe out net worth and distributed income on their financial statements! As private businesses revolt by rejecting SAS 150, audited financial statements for small companies will become a thing of the past! CPA's may also become irrelevant for nonpublic entities, causing great harm to the profession! Please wake up and see the harm in Statement 150 to private businesses! Such a radical departure from "going concern" accounting principles makes no sense!

Very Truly Yours,

Donald C. Ahnger, CPA

T. Mark Anwander, CPA