- 3 The cost to adhere and the complexity of the standards do not recognize the needs of the average private company. In the overview, the users of the financial statements are typically the owners, the lenders and occasionally the major vendors. While some banks will accept OCBOA statements, most want GAAP. If asked for their opinions, the banks will want the most disclosure and close to current value irrespective of the cost to the borrower (or the fact that fair value is always subjective and often of limited value). In reality, the bankers are used to seeing financial statements presented at historical cost. As the standards change, their ability to evaluate their customers does not necessarily improve as they typically do not have a team of analysts scouring the financials as a public company might be subjected to. In fact I am frequently educating bankers on the meaning of changes in the financial statements to keep up with the standards. Further, disclosures regarding tax positions in a vacuum that assumes the taxing authority has complete knowledge of all relevant facts is not reality. Between FIN 46R, FIN 48 and fair value accounting, the standards are getting further from the needs of the privately held company and increasing the costs dramatically along the way with little to no real benefit to the users.
- 4- application of many of the standards to privately held companies should be deferred until a final resolution of the issue. The three mentioned above should be immediately changed to optional for privately held companies. Many of our financial statements contain GAAP exceptions to address our client concerns in these areas and I am aware of other Firms doing the same.
- 5- I don't believe that IFRS should be mandated (it should be optional) to privately held companies as the vast majority do not have any need to report on an international basis so consistency with foreign reporting is not relevant. If a private company is considering going public, management will have ample opportunity to convert to IFRS and restate accordingly. However, there is not a need to saddle the company with a conversion if going public is a remote or nonexistent possibility.
- 6-I believe that for too many years the focus of the standards setters has been the publically held and the very large non-publically held companies and their broad brush approach has hurt closely held companies and the accountants that service them. There seems to be no consideration of the cost to implement a standard, whether in terms of internal resources, external costs or even the ability of the CPA to get paid for the additional work necessary to conform a client to new standards. We have a profession that seems to do everything possible to both erode the ability to earn a profit while exposing professionals to the liability associated with misapplying or not applying new complex standards. Most Firms do not have a home office filled with technically proficient accountants who spend all of their time studying new pronouncements and determining how their Firm should apply them.
- 7 Both as well as every other middle market practitioner with whom I have had the pleasure of exchanging views.