If we are going to have private industry GAAP, we should consider going one step further regarding financial statements of pass-through entities. An S Corporation should be required to accrue the amount of expected distributions to shareholders to pay tax on the individual level for pass through income. This is particularly pertinent when the earnings of an S Corporation fluctuate greatly from year to year as there may be a significant difference in accrual basis income versus cash basis distributions to pay taxes on that income.