

September 23, 2010

AICPA/FAF/NASBA "Blue-Ribbon" Panel on Standard Setting for Private Companies By e-mail c/o Tim Woo, tswoo@fasb.org

We are pleased to add to those previously submitted by others our responses to applicable questions in the recent survey about how accounting standards may best meet the needs of U.S. users of private company financial statements that was recently presented by the AICPA/FAF/NASBA "Blue-Ribbon" Panel on Standard Setting for Private Companies (the Panel). We regret our inability to respond by the due date set in the survey request but, nevertheless, hope that our responses will be considered by the Panel in its deliberations. We have tried to make our responses succinct as requested. In addition, we have attached to this submission our completed form as provided for response to Question 1.

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 primary concern about the accounting standards that have been developed over the years is what we perceive to be a fundamental difference between the needs of users who are lenders and other creditors as compared to those of nonmanagement (or non-insider) equity investor/users, the latter of which seem to overwhelmingly dominate the apparent objectives and requirements of the current standards. For example, we believe that lenders are primarily interested in matters of liquidity and cash flows and access to and valuation of collateral assets rather than in revenue recognition and earnings. While the primary users of small business financial statements generally tend to be lenders and other creditors rather than outside equity investors, this is not always the case (see 3c, below).

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

Our concerns, as expressed above, are clearly systemic and pervasive.

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

We believe that a clear distinction should be made in, and served by, the applicable accounting standards, based on the presence and relative significance of such user groups, rather than merely the size of the reporting entity.

4. What short-term and/or long-term actions do you believe are necessary to address those issues or concerns?

In the short-term, a joint body of creditor users and those engaged in the standard-setting process should be appointed to specifically identify areas of differences between the needs of creditor/users and equity investor/users, first on the level of the Conceptual Framework and secondly, on a prioritized standard-by-standards basis. In the long-term, such matters should be addressed in



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proposed new standards and changes in old standards, as they are developed and exposed for comment. Special efforts should be made to seek commentary upon exposure from creditors and creditor organizations.

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?

Because of the perceived differences in the needs of user groups, we do not believe IFRS should be made mandatory for businesses without significant foreign equity investors. In the event there are significant foreign equity investors in addition to significant creditor users, dual reporting, perhaps on a supplemental basis might be made optional.

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

We have no response to this question.

6. Is there any other input that you'd like to convey to the Panel?
No.

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

These views should be regarded as those of our Firm.

We thank you for considering these responses.

Very truly yours,

Piercy Bowler Taylor & Kern, Certified Public Accountants

Attachment