



Certified Public Accountants and Business Consultants

Not The Same Old Bottom Line

October 30, 2012

Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Dear Board Members:

Thank you for the opportunity to comment on the Financial Accounting Standards Board's (FASB) Private Company Decision-Making Framework (framework).

Description of Respondent

Smith & Gesteland, LLP (S&G) is a public accounting firm with a single office in Madison, Wisconsin. The firm has 14 partners and approximately 80 employees. The firm does not work with public companies; however, it does have clients that are financial institutions and companies that are conduit bond obligors. The clients that we are engaged to audit or review GAAP basis financial statements include for-profit companies ranging in size from \$2 million to \$200 million, not-for-profit organizations, and employee benefit plans.

Staff Identified Factors Differentiating Private Companies from Public Companies

S&G agrees with the factors identified by FASB staff. The primary user of the financial statements audited or reviewed for for-profit companies is a financial institution that is requiring the engagement as part of their credit agreement. The factors identified coincide with the needs of the primary financial statement users of our clients.

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Do Staff Recommendations Result in a Framework That Would Lead to Decisions That Provide Relevant Information to Users of Private Company Financial Statements in a More Cost-Effective Manner?

Yes, we believe the proposed framework will enable the relevant information to be provided in a more cost-effective manner.

Do You Agree That Private Companies That Apply Industry-Specific Accounting Guidance Generally Should Follow the Same Industry Guidance That Public Companies are Required to Follow?

Yes, we generally agree that consistency among industry specific accounting is important for comparability purposes by users of those financial statements. However, consideration should be given to the complexity involved in generating information needed based on the generally smaller resources possessed by private companies including: number of accounting staff, capabilities of accounting staff, capabilities of accounting systems.

Do the Different Areas of the Framework Appropriately Describe and Consider the Primary Information Needs of Users of Private Company Financial Statements and the Ability of Those Users to Access Management, and Does the Disclosure Area of the Framework Appropriately Describe the Red-Flag Approach?

The framework appropriately reflects the needs of the users of private company financial statements and addresses the concept that those users have access to management and additional information.

Has Staff Identified the Appropriate Questions for the Board and PCC to Consider in the Recognition and Measurement Area of the Framework?

Yes, the main questions have been identified.

Has Staff Identified the Appropriate Areas of Disclosure Focus by Private Company Financial Statement Users for the Board and PCC to Consider?

Yes, the main areas of disclosure have been identified. However, we feel that the board should consider putting a little more weight on the cost of developing disclosure information when making decisions. Many small private companies have small profit margins or incur losses and the burden of compliance with additional standards can have a significant effect on profitability.

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Do You Agree that Generally, Private Companies Should Apply the Same Display Guidance as Public Companies?

Yes, S&G strongly agrees that the same display guidance should apply to both private and public companies. Differences in presentation would be confusing and result in misinterpretation of information.

Do you Agree that Generally, Private Companies Should Be Provided a One-Year Deferral Beyond the First Annual Period Required for Public Companies to Adopt New Guidance? If Private Companies are Provided a Deferred Effective Date, Do You Agree that a Private Company Should Have the Option to Adopt the Amendments Before the Deferred Effective Date For Private Companies?

Yes, S&G agrees that a one-year deferral is appropriate, but private companies should have the option to adopt early should they desire to do so. Many private companies obtain reports of public companies to better understand the reporting requirements of standards.

Do You Agree With Staff Recommendation That Some Circumstances May Warrant Consideration of Different Transition Methods For Private Companies?

Yes, S&G believes that different transition methods are appropriate and that the prospective method would be the best alternative in most cases.

Do You Agree With the Basis for the Board's Tentative Decisions Reached to Date About Which Types of Companies Should be Included in the Scope of the Framework?

We agree for the most part. The one area we would like reconsidered would be the exclusion of conduit bond obligors. Our clients that have an industrial revenue bond or commercial paper would get excluded from the private company standards under this criterion even though they meet every other criterion. We are concerned that companies could make poor economic decisions by not utilizing these sources that may provide lower cost of funds in order to avoid any added complexities to financial reporting. The consideration of a dollar threshold for conduit bonds issued before a company would be excluded would be a reasonable approach. This would consider the low level of risk to investors based on the small amount of debt being issued.

Are There Other Types of Entities That You Believe The Board Should Specifically Consider When Determining Which Types of Companies Should be Included in the Scope of the Framework?

No

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Do You Think That a Private Company That Elects to Apply Any Difference in Recognition or Measurement Guidance Should Be Required to Apply All Existing and Future Differences?

No, S&G does not believe that such a broad statement is appropriate. It is unlikely that a private company would elect to apply any differences if it locked them into future elections which is contradictory to the purpose behind this project.

Do You Think That a Private Company Should Have the Option to Choose Which Differences It Applies in All Other Areas of the Framework?

Yes, S&G believes that options should be available. Current accounting guidance allows for options in accounting policies and certain disclosures that are believed to be useful to the users of the financial statements. The primary users of the financial statements will have access to management to request additional information or inquire about the differences caused by the options chosen by the company.

Sincerely yours,

Smith & Gesteland, LLP



Keith Baumgartner, CPA
Partner

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