All respondents:

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 first concern is that the FASB has several times addressed the needs of private companies only on an after the fact basis. A couple of examples include:

- The deferral of the implementation of FIN 48, Accounting for Uncertainty in Income Taxes, and the initial lack of guidance for application to flow through entities.
- The deferral of FAS 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity, which substantially reduced or wiped out the equity of any closely held company that had a buy – self agreement with the owners.

Another area of concern is the proposed revenue recognition standard which is going to bring unneeded complexity to small construction contractors. Some practicality needs to be brought to this standard before it is finalized for nonpublic companies.

Other recent standards changes that we believe have not been appropriately addressed at the private company level include variable interest entities and related consolidation, goodwill and impairment, and fair value disclosures and the fair value option.

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

Systemic.

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

The issues are broader than discussed above. The volume of disclosure in public company reports is getting larger and larger and we feel of questionable value.

4. What short-term and/or long-term actions do you believe are necessary to address those issues or concerns? Please be as specific as possible in your answer, and explain your reasoning.

First, continue to deal with the issue of convergence between U. S. GAAP and IFRS.

Second, as part of that process evaluate the IFRS for SME's as a possible solution. If convergence truly is the goal between the FASB and the IASB, then we need to look objectively at the IRFS for SME's as a possible solution for nonpublic companies.

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?

None. The users of private company financial statements have different needs than the users of public company financial statements. We have not had a user request IFRS based financial statements at this point in time.

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

When the lenders and sureties ask for or require IFRS based financial statements, we will have to look at having our clients implement those standards.

6. Is there any other input that you'd like to convey to the Panel?

There is a huge education process ahead of us. This will involve educators, users of financial statements, preparers, attesters, even regulators of community banks that will encounter files with financial statements under big GAAP, little GAAP, tax basis, IFRS, etc.

One other point is that the users of financial statements make multiple adjustments to those financial statements. Financial statements prepared under U. S. GAAP or under IFRS are only a starting point for the users in their evaluation of the financial condition, results of operations, and cash flows of an entity. U. S. GAAP is moving to a more market value based approach that may not be worth the cost of implementing at the private company level. You can mark all the assets and liabilities to market value on a balance sheet, but the net equity isn't the value of the company. There needs to be more cost-benefit analysis of the accounting standards before they are fully implemented.

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

I am responding on behalf of the Accounting and Auditing Committee of the firm of Kennedy and Coe, LLC.