- 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. I see two primary issues: cost/effort on the part of the preparer and, more importantly, the usefulness of the resulting financial statements. In many cases, U.S. GAAP financial statements provide information that isn't relevant to the typical user of private company financial statements.
 - b) Are those issues or concerns confined to one or more specific standards, or are they more systemic? The issues are systemic—it's not any one single standard (although there are particular examples) but rather the "focus" of U.S. GAAP—it results in information that is useful to (and required by) certain users (i.e., public company investors). The problem is not specific standards, but rather the entire "framework" of U.S. GAAP.
 - c) Do you believe that those issues or concerns are largely confined to private companies, or are they broader? While there may be broader issues (complexity, etc.), my context is in the realm of private companies. If there are broader issues, they need to be dealt with, but that is a completely separate issue—addressing one does not necessarily address the other.

Please be as specific as possible in your answers.

- 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. In my opinion, the specific course of action should be as follows:
 - Identify the primary users of private company financial statements
 - Determine the primary decisions made by these users (i.e., how are the private company financial statements used by the user?)
 - Determine what type of accounting information is needed to make those decisions
 - Develop an accounting framework that would provide that kind of information
 - Use that framework as a "filter" through which you would run existing U.S. GAAP to create a new set of accounting standards specifically directed toward the needs of the users of those private company financial statements
- 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? I think the SEC decision should "affect" the process, but not necessarily "drive" the private company process. Certainly, if the SEC decides to require IFRS for public companies, the development of private company accounting standards should parallel that process. However, if the SEC delays a decision on IFRS, I think the private company initiative should proceed. Even without an SEC mandate, the current

convergence effort will continue to add to the complexity of U.S. GAAP and will lead to private company financial reporting that is even further removed from the needs of the users of those financial statements.

- b) To what extent, if any, would other outside factors affect your answers above? Which factors and why? As mentioned above, the current convergence effort will continue to add to the complexity of U.S. GAAP and will lead to private company financial reporting that is even further removed from the needs of the users of those financial statements. In addition, the development of private company financial reporting standards is becoming the "norm" in other countries (e.g., Canada and the IASB's own "IFRS for SMEs").
- 6. Is there any other input that you'd like to convey to the Panel? Assuming the development of private company financial reporting standards becomes a reality, I strongly believe that a new, independent board should be established (equivalent to the FASB or GASB) to develop the standards. With all due respect, the FASB, in its current form or in a reorganized form, is not equipped to undertake this project. The FASB's focus has been, is, and should continue to be the develop of high-quality financial reporting standards for public companies. I don't believe the FASB (board, staff, or organization) has the time, inclination, expertise, or experience required to take on this project.
- 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 responses represent the views of our firm, The Madray Group, and are based on our direct relationship and experience with public accounting firms and their private company clients across the U.S.