

**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.**

I believe that current U.S. GAAP accounting standards are becoming deficient in the following areas:

- 1) **Difficulty in application:** I believe that the current trend in accounting standard setting is that the new and proposed standards are becoming too difficult for private companies with limited accounting resources to understand and to apply and do not contribute to their ability to manage and report on their business.
- 2) **Relevance to end users:** For most private companies, the end users of their financial statements are generally lenders and insurance companies. In my experience, these end users often do not have the expertise to understand the intricacies of some of the more complex accounting standards (they often do not understand, for example, the consolidation model in FIN 46(R) and why an entity may or may not have to be consolidated).
- 3) **Cost to apply:** The process of understanding and implementing a new standard for both small and mid-size private companies can be expensive both to implement initially and then to maintain on an ongoing basis.
- 4) **Objectivity:** I believe that the increase in fair value measures in financial statements has decreased the level of objectivity included in the financial statements, increased the potential for financial manipulation, and made it more difficult for both management and auditors to objectively measure and report certain transactions. While estimates always will be an important part of the financial reporting process, I believe that we have created a system where an increasing proportion of the balance sheet and income statement are based on estimated amounts with limited objectivity.

We have seen an increase in modified audit and review opinions as a result of companies deciding not to implement certain standards (for example FIN 46(R)).

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

I believe that they are systemic of the direction that accounting standards have been moving within US GAAP.

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

I believe that these are issues at some level for all companies. While larger public companies clearly have larger and more sophisticated accounting staffs that may be better

equipped to implement new standards, I believe that smaller public companies face many of the same implementation and cost challenges that private companies face.

**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.**

I believe that the following actions are necessary:

- A) The FASB needs to make standards more pragmatic.
- B) The FASB needs to rebalance its focus between public and private companies.

To those of us serving private companies, it appears that the FASB's current standards setting process is focused primarily on the issues and needs of larger, public companies. There are standards, which may be written with good intentions and theoretically sound, that are just not pragmatic for the average private company to implement in an accurate and cost effective manner or for users to understand. For example, the rules for applying FIN 46(r) are exceedingly difficult, if not impossible, for many small to mid-size businesses to understand and implement without expensive assistance. Additionally, this complexity extends to end users who also in many cases don't understand the standard either.

- 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 would assume that the adoption of IFRS by the SEC would eventually result in its trickling down to all companies as a replacement for current US GAAP. While I do not think that it is in the profession's best interest or the interest of end users for there to be two different sets of GAAP in use I also believe that the potential adoption of IFRS and its subsequent application to private companies will create significant implementation issues for small and mid-size private companies and their accountants.

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

NA

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

I believe that many end users of financial information have a difficult enough time understanding one set of accounting principles and that the potential creation of a second parallel set of small company US GAAP would create more confusion and would not

provide users with better information with which to make decisions.

- 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 my personal views.