

AICPA/FAF/NASBA "BLUE-RIBBON" PANEL WRITTEN SUBMISSIONS FROM CONSTITUENTS

3. a) The needs of private companies and public/large companies and the users of their financial statements are different. Therefore U.S. GAAP in many instances does not address the needs or lack thereof for private companies and their financial statement users.

Much of U.S. GAAP reporting is driven by the needs of equity and debt investors that make decisions based on comparisons of alternative investments. This need does not generally exist for private companies. In other words much of the information required by U.S. GAAP is not needed in the financial statements of private companies.

b) The issues are and have been systemic. There is no mechanism presently to adequately address the cost vs. benefit or usefulness of much of the information required by U.S. GAAP as it relates to private companies. Many private companies cannot afford an audit due to onerous reporting requirements.

3. c) These concerns are mostly confined to private companies. The users of private company financial statements generally have substantially more information than are disclosed in financial statements that public/large company users are unable to obtain directly (i.e. most private company statements are distributed to lenders, sureties, and owners that already have required more information than public/large company investors will obtain from reading financial statements.).

4. We need a separate board to determine what is U. S. GAAP for private companies. That board can consider all the current GAAP that's available, and determine what should not apply to private companies. The Accountant's Report can be revised to include U. S. Private Company Generally Accepted Accounting Principles.

5. a) No affect on above answers because private companies are not public companies, and it would mean a private company board would maintain private company GAAP.

5. b) Don't believe that outside factors would affect any answers above. U. S. Private Company Generally Accepted Accounting Principles is long overdue and badly needed. Once the private company board has been established, their directives should always be what is best for U. S. private companies and their financial statement users.

6. a) Users of U. S. private company financial statements will decide if additional information, other than general historical cost financial statements with footnotes, is needed, and get the additional information from the company or request that additional information be presented with the financial statements. The users (mostly banks and sureties) generally know their client well, and are often gathering information on a year round basis.

6. b) No, other than to emphasize that private companies generally do not have the resources, personnel, or ability to develop or report information in the same manner as public companies. Fair value reporting on other than listed marketable securities comes to mind a one area that is very burdensome and subjective at best.

7. These responses represent my individual views, but there will not be any vastly different views coming from my firm, of which I am a managing partner.

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