



September 15, 2010

AICPA/FAF/NASBA Blue Ribbon Panel on Standard Setting for Private Companies

Rick Anderson, Panel Chair

Via e-mail to Tim Woo, tswoo@fasb.org,

Re: Request for input on private company financial statements

The Accounting and Auditing Committee (the “Committee”) of the Pennsylvania Institute of CPAs (“PICPA”) appreciates the opportunity to provide input as to how accounting standards can best meet the needs of U.S. users of private company financial statements. Our comments below represent the consensus of the Committee.

Response to Question 3 - The Committee believes that U.S. generally accepted accounting principles (“U.S. GAAP”) have become too complex and the cost of financial reporting in accordance with U.S. GAAP for privately-held businesses has become increasingly burdensome with little to no additional value to the financial statement users. The Committee believes that the problems with U.S. GAAP are systemic and that these problems go beyond privately-held entities. The unnecessary and increasing complexity and numerous inefficiencies within the standards and standard setting process was the subject of a well publicized 2008 SEC study from the Committee on Improvements in Financial Reporting. However, privately-held entities are less able to bear the increasingly burdensome reporting costs. In addition, not only are the standards increasingly burdensome and less relevant to privately-held entities, they are constantly changing, adding to the cost of implementation.

As a result of the increasing complexity, constant changes, and new standards that are not relevant to the users of private company financial statements, the number of U.S. GAAP exceptions is growing (e.g. FIN 46, FIN 48, etc.). We believe that the number of U.S. GAAP exceptions will continue to grow as the FASB continues to revise standards to improve alignment with IFRS (e.g. proposed Accounting Standards Updates for leases, fair value, revenue recognition, financial instruments, loss contingencies, classification of certain financial instruments with characteristics of debt and equity, financial statement presentation, and FASB’s general efforts to expand the use of fair value).



Response to Question 4 - The Committee believes that a separate set of standards for privately-held companies is needed. Considering that the IASB was able to develop a complete set of standards for privately held companies (IFRS for Small and Medium Sized Entities (SMEs)) in approximately 230 pages, the current 10,000 page U.S. GAAP is unreasonable. Existing standards should be re-evaluated for relevance and impact on privately-held companies. Some on the Committee believe that tax basis financial statements are a practical solution. However, the Committee generally believes that additional guidance is needed to support this other comprehensive basis of accounting.

Response to Question 5 - It is unclear what impact the SEC's decision to require public companies to adopt IFRS at a date certain would have on privately-held businesses. FASB's role in that event has not yet been defined. We believe that the transition would be an appropriate time to create a new set of standards geared towards privately-held companies.

We commend the work of the Blue Ribbon Panel in providing a voice for users of private company financial statements. With FASB's primary focus on investors, we believe that the current U.S. GAAP is not meeting the needs of private companies and that the time has come to provide an alternative GAAP for private companies. We appreciate your consideration of our comments. We are available to discuss any of these comments with you at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard E. Wortmann", is written over a faint, circular embossed seal or watermark.

Richard E. Wortmann, CPA
Chairman, PICPA A&A Committee