

July 28, 2011

Board of Trustees
Financial Accounting Foundation
401 Merritt 7, P.O. Box 5116
Norwalk, CT 06856-5116
presidentsdesk@f-a-f.org

Dear Financial Accounting Foundation:

**Re: Comments on the Blue-Ribbon Panel on Standard Setting for Private Companies
Report to the Board of Trustees of the Financial Accounting Foundation**

On behalf of the New York State Society of Certified Public Accountants (NYSSCPA) and our more than 28,000 members, I am writing to express our opinions on and support of certain of the recommendations made by the Blue-Ribbon Panel on Private Company Financial Reporting (the Panel) regarding differential standards and a separate standard-setting entity for private companies.

Background

In a report released in January 2011, the Panel concluded that there are significant systemic issues in the way that private companies use Generally Accepted Accounting Principles (GAAP) in their own accounting because much of GAAP is simply irrelevant for users of private company financial statements.

The Panel recommended the creation of a new, separate standard-setting body for private companies that would be overseen by the Financial Accounting Foundation (FAF) as parent of the Financial Accounting Standards Board (FASB). It was recommended that standards promulgated by the new body be a form of “modified GAAP” that would reside within the FASB’s Codification. This was the subject of which the FAF solicited comments which essentially generated three primary questions:

1. Should there be a separate set of accounting standards for private companies?
2. If yes (to 1. above), should these standards be entirely new or exceptions and modifications to existing GAAP?
3. If yes (to 1. above), what authoritative body should be charged with writing the standards—an entirely new body or the FASB?

Reason for Comments

Considering that there are an estimated 28.5 million private companies in the U.S. and changes to standard-setting for these entities will impact a vast number of CPAs, we looked to our members for their views and opinions on what would be the best approach.

The NYSSCPA solicited feedback on this important issue in several ways: Member views were solicited in an article in the Society's newspaper; a poll was taken of the Society's large and medium-sized firm managing partners committee; a three-question survey was taken of a sample of the Society's membership; and a "straw poll" was taken at the NYSSCPA's *2011 Annual Leadership Conference* in mid-July.

Survey and Straw Poll Results

Among member feedback, the survey responses and the straw poll at the *Leadership Conference*, a general consensus resulted on two of the three questions (although the two audiences differed in composition due to the fact that more Industry members participated in the emailed survey than in that of the *Leadership Conference*).

When asked, should there be a separate set of accounting standards for private companies, 85% of the survey respondents concurred while 15% disagreed. In the straw poll, about 60% agreed, and 40% disagreed. Of those who agreed that there should be a separate set of accounting standards for private companies, 38% of survey respondents and 20% of straw poll respondents concluded that the standards should be developed anew while 62% in the survey and 80% in the straw poll expressed that new standards for private companies should be modifications to existing GAAP. When we posed the query of which authoritative body should be charged with writing the standards, a slight majority (53%) of survey respondents preferred the FASB while in the straw poll 55% suggested that there should be a new, separate body, to set the standards.

Results and Recommendations

The opinions of our Membership are unambiguous on the first two questions. We believe that the FAF should develop a separate set of accounting standards for private companies, but the standards should take the form of GAAP with modifications and exceptions.

Regarding the third question, there was no obvious majority opinion—survey respondents were slightly in favor of leaving standard-setting for private companies in the FASB's purview; and attendees of our *Leadership Conference* preferred the FAF to create a new standard-setter (which was also the opinion of the Blue-Ribbon Panel). With the Membership apparently divided on this aspect of the proposal, the NYSSCPA's Leadership carefully discussed the two options, and, ultimately, decided to concur with the Panel: that there be an independent standard-setter created by the FAF to develop modified standards.

We decided on this particular course because the FASB has a greater vested interest in supporting its standards for publicly held entities, and a more independent approach would result in better standards setting for private companies.

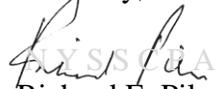
Conclusions

We believe a systemic problem indeed exists. The current standard-setting process does not adequately take into account the needs of the private company sector. The Panel concluded correctly that there is not a proper weighing of costs and benefits in setting standards for private companies and there is a need for more relevant financial statements for private companies and their financial statement users. Given the public company reporting pressures placed upon the FASB, the Board cannot adequately respond to the competing needs of the private company sector.

Differential standards and an autonomous standard-setting body to implement them for private companies are needed and should be established.

The Leadership at the Society thanks the FAF for this opportunity to provide comments on this important matter.

Sincerely,


Richard E. Piluso
President