

From: Kevin S. Kelso, CPA
To: CommentLetters

August 1, 2006

Technical Director-File Reference 1310-100
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: "Enhancing the Financial Accounting and Reporting Standard-Setting Process for Private Companies: A Joint Proposal by the Financial Accounting Standards Board and the American Institute of Certified Public Accountants"

To Whom It May Concern:

Our firm is a small local CPA firm that services for-profit and not-for-profit private sector companies in several industries. We appreciate the opportunity to offer our comments with regards to the aforementioned proposal.

Question #1: Do you believe the proposal contained in paragraphs 16-29 will improve the accounting standard-setting process for private companies?

Yes, we believe it is long overdue that the FASB seriously consider and focus on the needs of the private company in its standard-setting process. Recently issued reporting standards have been burdensome and costly to private companies, not to mention irrelevant to many users of their financial reports. The standards were designed to enhance the financial reporting and disclosures, which is extremely important for the investors and financial markets here and abroad, and we support that. This proposal would provide a mechanism to consider the needs of the private company sector. Further, the Committee, if established as proposed, should improve the probability that small businesses will get the opportunity for adequate representation and the ability to express their concerns, views and opinions.

Question #2: Specific to paragraphs 16-29 do you believe that the proposed changes will help ensure that the financial reporting needs of constituents of private companies will be met?

We believe the proposed changes will help make possible that the financial reporting needs of private companies are met if and only if, the makeup of the aforementioned committee encompass well-rounded private company financial reporting experience as well as those that attest to their financial reports. The members of the committee should also represent a diverse cross-section of private company industry sectors, including both

for-profit and not-for-profit enterprises. This in turn should lead to a more effective committee that would help ensure that the needs of the users of private company financial reports are satisfactorily considered and met in the standard-setting process.

Question #3: The FASB and AICPA believe that any differences in generally accepted accounting principles (GAAP) for private companies should be based on financial statement user needs and cost/benefit considerations. Do you agree?

Yes, we agree with this statement in principle. As mentioned above, standards have become overly burdensome, complex and costly to the private company. We are supportive of other FASB projects, such as the convergence project or those aimed at bringing “off-balance-sheet” liabilities onto the books. At the end of the day, the end-user consumer of the service or product provided by the private company will bear the additional costs, which will in turn hurt the small communities and rural areas of this country, which is where the majority of private companies are located. The users of the financial reports do find much of the information to be overly complex, difficult to decipher or simply irrelevant to their needs. Therefore, it can be of little value to them and the cost then outweighs the benefit. That should be considered in future standard setting.

Question #4: The FASB and AICPA believe that the members of the committee, (except for the chair) should not be compensated beyond a reasonable reimbursement of expenses. Do you agree?

We respectfully disagree with this statement. In order to achieve the desired results of the proposal, it will take qualified individuals with a passion for the issue of private company financial reporting. To attract these individuals and ask them to devote the time that will be necessary, there should be some nominal compensation to the members of the committee, in addition to reimbursement of expenses; but it should not be any more than what members of other committees receive for their voluntary service. If this process is to become effective, and we sincerely hope it does, individuals will be more likely to devote the time it will take to serve. The respective companies employing the members will allow the time, if there is some benefit for them also, such as financial reporting models catered to their unique needs. It would not be enough to just have the notoriety and credibility from being a member of the committee. Also, there should be steps taken to ensure that adequate resources are provided to the committee. We do not believe the committee can be as effective otherwise.

Further, we urge caution against increasing the size of the committee much larger than its original planned size. We do see the advantages of ensuring that all sectors are adequately represented however; but again caution against having a committee so large that it becomes ineffective.

Question #5: The FASB and AICPA believe the committee should set its own agenda and priorities. Do you agree?

We strongly agree with this statement. The committee must have the opportunity to address and set its priorities as it sees fit. However, we would encourage the FASB to openly and respectfully listen to the recommendations of the committee in its deliberation process. We do have reservations about the committee having “limited autonomy” as the proposal suggests, and FASB not specifically defining what that limitation is. We realize that FASB is the ultimate standard-setting authority; however, it has taken a long time to get to the point of having something in place to hear and address the needs of the private company sector. It would be a shame to see the time and efforts of the committee and its recommendations not receive the attention they deserve.

We thank you for the opportunity to this proposal.

Sincerely

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