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Financial Accounting Series No. 1310-100
Invitation To Comment

My opinion on this subject can be succinctly summarized with the statement “ I believe the proposals set forth in the invitation to comment should be adopted and different standards should apply to privately held versus publicly held companies in many respects.”

Comments I would like to make are as follows:

- I think the distinction in standards should be between privately held companies versus publicly held companies rather than reference to the size of a company. This would provide only two groups of differentiation which are clearly and easily identifiable.
- A private company should have the option to follow public company reporting should that be necessary or desirable. This might be the case of a private company desiring to “go public” in the future.
- My opinion is that the differing standards would not place an undue burden on accounting professionals in order to maintain the different standards. My thought on this matter is that most standards in effect now would follow through to the private company standards and relatively few high cost-low benefit reporting differences would occur.
- I believe that justification exists for the differing standards in that privately held companies’ management are accessible by the applicable stakeholders such as lenders and surety companies for any additional information that might be required for their particular needs. Public companies’ management on the other hand is not generally accessible to most of its stakeholders such as individual stockholders and others. Should a privately held company be of a type which is not readily accessible, such company would have the option to report as a publicly held company.
- The option would allow smaller privately held companies the opportunity to escape the cost of complying with the same standards as multi-billion dollar companies in order to be in compliance with GAAP. Financial standards could be issued {in accordance with “private” or “non public” standards} rather than in accordance with the standards of the Public Company Accounting Oversight Board (United States) or some other terminology which would easily signify the difference without (in my opinion) any inferior connotation.
- The number of privately held companies which do not need to present their statements with high cost – low benefit standards vastly out number publicly held and others who need those type financial statements. The ability to use differing standards could collectively reduce financial reporting costs amounting to billions of dollars and still provide useful and reliable data to its stakeholders.
- The use of tax-basis or other OCBOA financial statements are many times not a good alternative due to excessively diverse accounting methods, such as accelerated depreciation, that may present an unrealistic estimate of expensing operational costs.
- Many presentations under current GAAP could be accomplished by disclosure in non public entity financial statements without the unnecessary costs involved. One example is FIN 46R and variable interest entities which now require consolidation in many cases. Disclosure requirements could be such that the readers of the financial statements would be made aware of the entity and the relationships without the consolidation requirements. If the stakeholder needed more information than disclosed, that reader could obtain any additional information required. In many cases the stakeholder is already aware of the arrangement in a private company situation.

My responses to the specific questions referenced are as follow:

1. Yes

2. Yes
3. Yes
4. Yes, to the extent that significant time is not required to accomplish the stated objectives. If significant time is required to meet the objectives, compensation may be required in the formative stages and maybe not later as issues are resolved.
5. Yes. The committee should be able to set its agenda and priorities. Otherwise, the objectives are less likely to be accomplished.

I appreciate the opportunity to express my views on this topic.

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