



August 4, 2006

Technical Director – File Reference 1310-100 (VIA email)

Financial Accounting Standards Board

401 Merritt 7

PO Box 5116

Norwalk, CT 06856-5116

RE: Enhancing the Financial Accounting and Reporting Standard-Setting Process for Private Companies
(Comments)

GENERAL COMMENTS:

Firstly, I would like to thank both FASB and AICPA for taking the initiative to take on such an enormous task to enhance the financial accounting and reporting process for private companies. However, there are significant differences in the reporting requirement and constraints between the private and public companies. Accordingly, a gradual systematic approach is needed for both the planning and implementation stages. Moreover, as we always quote in the auditing world, we need to do a cost and benefit analysis to evaluate such proposal. We have to ask ourselves whether we want to create another "PCAOB" type of organization to patrol and monitor the private companies' accounting and reporting standard. Sometimes we may be doing so without even noticing that in the first place.

SPECIFIC COMMENTS:

Issue 1: On the surface, I do believe the proposal will improve the accounting standard-setting process for private companies providing that all the steps and procedures are performed according to the plan. But a lot of those users, preparers, other stakeholders for the private company financial reporting may not be so involved in the "public discussion forums" used by both AICPA and FASB. Perhaps some proactive / innovative ways of communication, such as surveys and phone interviews, are needed to reach out to them.

Issue 2: I believe we need valuable inputs from people who will be affected. As I mentioned in the preceding paragraph, we need to figure out how to obtain a meaningful sample which is representative for the majority of such population.

Issue 3: I truly believe we have to take into consideration both the needs for the users and cost-benefit issue. There are way more private companies in the United States of America. We are probably dealing with fundamental changes to the way we do business, or at least how we record our business activities in the future.

Financial Accounting Standards Board

August 4, 2006

Page 2

Issue 4: We are not talking about some breakfast or lunch seminars / conferences but some "real business" with effects for generations to come. We have to compensate for those who will spend tremendous time and efforts to come up with a better standard. I do not think that we should just reimburse the committee for expenses only.

Issue 5: In order to be more autonomous and efficient, the committee should definitely set its own agenda and priorities.

All my comments listed as above are not intended to reflect the views of Cotter & Kavanaugh LLP nor any other professional organization.

Thank you very much for the opportunity to voice my opinion. Please feel free to contact me for any questions and clarifications you may have.

Very truly yours,

A handwritten signature in black ink, appearing to read 'K Chan', written in a cursive style.

Kenneth K Chan, CPA, MBA

kchan@ck-llp.com