

From: Benjamin P. Herman, CPA, AFSB
Bond Manager - EMC Insurance Companies
To: Comment Letters
Subject: Concerning Proposal Related to Private Companies Financial Reporting

Dear Sir/Madam:

Thank you for the opportunity to comment on the above proposal. My background includes nine years of public accounting, three years as a project accountant for a privately held engineering/construction firm, and twelve years as a contract surety bond underwriter. My career has focused mostly on the financial reporting and analysis of private construction companies.

The recent financial collapse of several large public companies has created a necessary reaction in the accounting industry to introduce new rules and regulations in order to prevent something of this magnitude from happening again. It is important that the CPA profession regain the confidence and trust of the outside users of CPA prepared financial statements. The introduction of this proposal appears to sort out a common sense approach for GAAP accounting as it should apply to privately held companies. The surety industry relies heavily on the CPA prepared financial statements of the companies they are bonding. My comments are written from the prospective of an outside user of CPA prepared financial statements of private companies.

Comments on questions 1 - 3:

As an outside user of financial statements, there is serious concern of having two different approaches of GAAP. Not only would CPAs need to understand the differences in the reporting methods, but so would the outside user. Cost-benefit factors should not outweigh financial reporting accuracy and/or adequate disclosures. On the other hand, the burden placed on a CPA firm to apply every new FASB rule originally designed for large publicly traded companies to their small private company clients has to be cumbersome, frustrating and expensive. If the FASB and AICPA decide to move forward with the proposal, I would simply say **proceed with caution**. The outside user of the CPA prepared financial statement must rely on the CPA profession to provide consistency and accuracy, no matter what type or size of company.

Comment on question 4:

I disagree with the point that members of the committee (except the chair) should not be compensated beyond a reasonable reimbursement of expenses.

Comment on question 5:

Yes, I believe the committee should set its own agenda and priorities, but seek necessary guidance and input from FASB and the AICPA. I would encourage the committee to seek input from various outside users during the process.