

From: J. Michael Inzina, CPA, CGFM
To: CommentLetters
Date: 6/13/06
Subject: Invitation to comment: private companies financial reporting

I wholeheartedly support the FASB/AICPA efforts in establishing any process that will consider user needs and cost/benefit when determining whether to apply existing and future standards to private for-profit enterprises. As to whether the proposed process will improve the standard-setting process for those enterprises, I am unsure that anyone can say at this point. Having said that, let me add that any additional considerations given to small business could only result in an improvement, and will certainly help ensure that the needs of the users of small business financial statements are met.

I agree with the criteria selected - user needs and cost/benefit, and cannot see any other significant criteria that should be considered in determining whether to distinguish between public and private companies.

I also agree that the proposed committee should serve without compensation, and that the committee should establish its own agenda and priorities.

Although I was not supportive of differential GAAP twenty years ago, I believe this is an idea whose time has come. Frankly, it has become increasingly cumbersome and costly to apply GAAP to small businesses in the last few years, and even then, on issues such as variable interest entities and financial instruments with characteristics of both liabilities and equity, I find that financial statement users (principally local lenders, bonding companies, and small business owners) neither understand the need for the prescribed accounting treatment, nor find it useful in making their operating and lending decisions. For example, I am personally aware of a situation in which it was necessary to issue supplementary information exclusive of VIEs in order to enable a lender to determine the credit-worthiness of a borrower whose basic financial statements included VIEs. Occurrences such as that one make it clear that application of certain standards in small business is not relevant to decision makers.

Thank you.

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