

From: Bart Tiffany
To: CommentLetters

I applaud the FASB and the AICPA for taking long overdue steps to study and consider the impact of the standards-setting process on the medium to small sized, privately held business. The need to inform and protect the public with regard to information about publicly traded entities has added a largely senseless financial burden to small business on top of the overload of regulatory compliance and tax burden small business must bear. It is high time the profession understand that there is a cost-benefit relationship to the usefulness of setting standards with which small business must comply. I would very much like to see this same process considered by the Auditing Standards Board and other bodies who set standards for the public accounting industry.

1. Do I believe the proposal contained in paragraphs 12-29 will improve the accounting standard-setting process for private companies?

Yes. I believe this is a step in the right direction and improvements will be made.

2. Specific to paragraphs 16-29, do I believe that the proposed changes will help ensure that the financial reporting needs of constituents of private companies are met?

I believe this process will ensure that the the majority of the needs of the users of the financial statements of private companies, when accompanied with a letter of assurance from a CPA, will be met. I believe that the process will provide auditors with guidance and reduce the load of accounting and reporting standards as it relates to their privately held clients. I am skeptical that the process will give due weight to input from the private companies themselves for three reasons:

First, third-party users of the financial statements who participate in the process will push the committee for as much disclosure as possible under the assumption that there is no such thing as too much information. The use of the financial statements is often core to their business relationship with the issuing company. In their effort to minimize their risk and the burden of conducting due diligence, they will attempt to shift the cost of their due diligence onto other constituents, through the continuation of standards overload.

Secondly, CPA firms can hardly be counted on to oppose standards that will generate additional revenues. I would be a rich man if I had a dollar for every time our auditors blamed the FASB and ASB for our ever increasing audit fees and the volume of useless, time-consuming information they require us to include in our audited financials.

Finally, I am skeptical that an adequate contingent of representatives from private companies themselves will participate in the process. The majority of private companies, especially those in most dire need of cost effective solutions from their CPA's, do not commit enough resources to the accounting and financial reporting function. Most can not or do not hire in-house expertise sufficient to comply with the most basic standards, let alone participate in this kind of process. I am a seasoned professional financial

manager employed by a \$150 million and am writing this response on my own time because my employer does not value accounting and support services to the extent that I have the resources to participate in professional endeavors and satisfy my job responsibilities on Company time. I doubt that my contemporaries, especially those that work with smaller organizations, are going to sacrifice their personal time to the extent necessary for the private companies to be fairly represented. By and large, the owners of the privately held business control day-to-day management decisions. They, by and large, neither have the time to be involved with, nor recognize the importance of the the accounting/financial reporting function. Users of the financials and the CPA profession exploit this apathy and ignorance. I don't see how this process is going to have sufficient input from the private companies themselves.

3. The FASB and the 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 I agree?

Absolutely. Whether the process will adequately consider the cost effectiveness of proposed standards depends on whether privately held companies are adequately represented in the process. Again, I work for a \$150 million general contractor. I do not have the time to fully participate in this endeavor. How is the owner of a \$200,000 ice-cream store operation with franchise obligations or a single-man plumbing operation who has bank financing supposed to participate to ensure that audit standards with which they have to comply are cost effective for them? Rely on their CPA? How is that fair representation?

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

No. Without compensation, you stand little chance of getting fair representation from the small business contingency that needs standards reform the most. I doubt that you will find a fair representation for the small business among a limited number of financial professionals with no ties to the auditors or users of the financials. Small business owners are not going to commit overhead dollars to this effort and the profession will continue (to a lesser degree) to run amok with standards that make little sense for the small business.

5. The FASB and the AICPA believe the committee should set its own agenda and priorities. Do I agree?

Absolutely. Who knows how many small businesses have failed or, for that matter, never started because someone required GAAP basis financials subject to standards designed with a multinational in mind.

Other comments

I don't see how this process will address a more glaring financial problem for the private company, which is the overload of auditing standards and the manner in which CPA firms apply them. Will this process carry over to setting auditing standards? When will deluge of post Enron/MCI/HCA auditing standards end? When will CPA's (and their peer reviewers) start exercising some common sense about materiality, risk assessment, and detection of financial statement fraud in audits of companies managed by their owners? When will the escalation of fees incurred by private companies for audits, with procedures designed largely for publicly traded companies, stop? We need similar, effective reform in standards which apply to the audits of the financial statements of the privately held company.

Please feel free to contact me regarding this issue and this response.

Thank you for your consideration.

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