

August 11, 2006

Technical Director—File Reference 1310-100
Financial Accounting Standards Board
401 Merritt 7
Norwalk, Connecticut

Re: File Reference 1310-100

I commend the Board for its efforts to improve the process to give greater attention to the needs of the users of financial reports of private companies. In general I concur with the proposals given in the Invitation to Comment: Enhancing the Financial Accounting and Reporting Standard-Setting Process for Private Companies (ITC). But I shall address each proposal individually.

1. Yes, I believe that the proposals in the ITC will improve accounting standard-setting process for private companies. Providing staff with private company experience to reporting projects will inject awareness of the needs and concerns of private companies and the users of their financial reports earlier in the standard setting process. This will allow for consideration and development of private company alternatives as an integral part of the process. Presenting the Financial Accounting Standards Board (FASB) with those alternatives early in the process may provide easy relief from reporting burdens that are not relevant to private companies.
2. Yes, I believe that the proposed changes will help ensure that the financial reporting needs of constituents of private companies are met. Specifically seeking input from those directly involved in financial reporting for private companies should make the FASB more responsive to the needs and concerns of private companies and the users of their financial reports. In addition, the creation of the Private Companies Financial Reporting Committee (PCFR), through the cooperation of the FASB and the American Institute of Certified Public Accountants (AICPA), indicates that the Accounting Profession recognizes the concerns regarding private company financial reporting as valid and worthy of consideration.

With regard to the committee, I believe that its membership should also include someone knowledgeable and experienced with the International Accounting Standards Board (IASB) and its Small and Medium-sized Entities Standards (SMES) Project. I suggest this for two reasons. First, with FASB's commitment to convergence with the IASB on accounting standards, it would make sense to consider convergence on the Private Companies and SMES as well. Secondly, the IASB has been working on its SME project for several years and is close to releasing an exposure draft of its SMES. Paul Pacter, IASB Director of Standards for Small and Medium-sized Entities, would be a welcome addition to the PCFR.

3. Yes, I 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. Financial reporting exists only because there are users. So, if what companies provide does not serve the needs of those users, we have lost sight of the underlying purpose of financial reporting. In addition, the benefit of information should always be greater than its cost.
4. No, I believe that all committee members should be compensated for their time. If asked to perform a valuable service, the members should be compensated for the time they give. Perhaps, a per diem rate would be appropriate.
5. Yes, I believe the committee should set its own agenda and priorities. Since the members will come from those with vested interests in financial reporting for private companies, those members will be well aware of the relevant issues. It is important for the committee to act, not simply react.

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