



**KPMG LLP**  
757 Third Avenue  
New York, NY 10017

Telephone 212-909-5600  
Fax 212-909-5699  
Internet www.us.kpmg.com

September 27, 2010

File Reference BRP-R  
AICPA/FAF/NASBA “Blue ribbon” Panel  
C/O Tim Woo, Financial Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
Norwalk, Connecticut 06856-5116

**RE: AICPA/FAF/NASBA “Blue-Ribbon” Panel on Standard Setting For Private Companies – Response to request for written input (File Reference BRP-R)**

Dear Panel Members:

We appreciate the opportunity to respond to the request for written input by the AICPA/FAF/NASBA “Blue Ribbon” Panel on Standard Setting for Private Companies (the Panel). We support the Panel’s objective to seek input from preparers, users, auditors, and other interested parties and we believe this input is an important step in understanding how accounting standards can best meet the needs of U.S. users of private company financial statements.

***Adoption of IFRS for U.S. Public Companies***

As the Panel knows, the SEC is currently considering whether and if so, how and when, IFRS might be incorporated into the financial reporting system for U.S. issuers. According to the SEC’s policy statement and other public statements by SEC officials, the SEC is expected to make such a determination in 2011.<sup>1</sup> While we commend the Panel’s initiative to seek input on how to better meet the needs of U.S. users of private company financial statements, we believe any substantial recommendations from the Panel to address the financial reporting standard-setting process for private companies should come after the SEC’s decision on IFRS for U.S. public companies. We believe it will be important to understand if or when, and if so, how U.S. public companies are permitted or required to use IFRS and the implications of such a decision on the standard-setting process in the U.S. and the related implications for private company financial reporting standards. Any substantial changes proposed to the financial reporting standard-setting process for private companies prior to this decision is simply premature

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<sup>1</sup> SEC Release No. 33-9109, Commission Statement in Support of Convergence and Global Accounting Standards, February 24, 2010; Chairman Schapiro Statement on FASB-IASB Decision to Modify Timing of Certain Convergence Projects, June 2, 2010.



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and could result in unnecessary confusion and strain for preparers and users of private company financial statements.

### ***Needs of Investors and Other Users of the Financial Statements***

We are open to further consideration of whether a set of simplified accounting standards for private companies might meet the needs of their financial statement users. However, in order to determine whether different recognition and measurement financial reporting standards for private companies is appropriate, we believe it is first necessary to consider (or develop) comprehensive research evidence about the information needs of investors, creditors, and other external users of private company financial statements, whether such needs are different from users of U.S. public companies’ financial statements, and whether any differences in the needs of users could be addressed through different recognition and measurement standards. We are currently unaware of any such comprehensive evidence, other than anecdotal data, that indicates the users of private company financial statements have different needs from public companies and if so, what those different needs might be. We appreciate that the users of private company financial reporting are a diverse group, and that in general these users often are able to obtain additional data, beyond financial statements, for private companies. Nonetheless, appropriate cost-benefit analyses of a different reporting regime should be completed based on more than anecdotal evidence related to the benefits to users.

### ***Improvements in the Standard Setting Process***

We believe that public and private companies alike desire a reduction in the unnecessary complexity in certain U.S. accounting standards. We acknowledge that some U.S. accounting standards have become overly complex resulting in application difficulties both for public and private companies. Additionally, we acknowledge that both private and public companies have concerns about whether GAAP financial information adequately conveys their financial position and operating results to financial statement users as evidenced by the reliance of many public companies on the use of non-GAAP measures to “tell their story” to investors and other external users of financial information. Therefore, regardless of any potential changes for private companies, we believe improvements can be made to the standard setting process for both public and private companies to reduce existing avoidable complexity in accounting standards.

We believe the FASB should continue its efforts to address these concerns through its existing projects and processes, including the Disclosure Framework and Conceptual Framework projects. The Disclosure Framework project should consider the needs of both public and private companies when establishing the overarching framework intended to make financial statement disclosures more effective, more meaningful, and less redundant. This evaluation may lead to a conclusion that different disclosure



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frameworks are appropriate for public and private companies. We also believe that an overall review of all existing disclosure requirements for private companies should be performed to determine which of those requirements could be eliminated.

In the near term, the FASB should continue to seek input from the users of financial statements of private companies, especially during the standard setting process and provide clearer explanations in the basis for conclusions of new accounting standard updates as to how the needs of private companies were considered and incorporated into the standard.

*Separate Standard Setting Board for Private Companies*

As noted above, we believe that it is premature to conclude that recognition and measurement requirements of accounting standards should differ for public and private companies. We also believe that it would be premature to consider the possibility of a separate standard-setting board for private companies. If that issue is to be addressed in the future, consideration will need to be given to, among others, the funding of the separate board and which constituents will be burdened with the additional costs, whether private companies would have the option of following public company standards, and how private companies might transition to the public company standards when becoming a public company.

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If you have any questions about our comments or wish to discuss any of the matters addressed herein, please contact Mark Bielstein at (212) 909-5419 or Paul Munter at (212) 909-5567.

Sincerely,

**KPMG LLP**