July 31, 2013

Technical Director
File Reference No. 2013-300
Financial Accounting Standards Board
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Walz, Deihm, Geisenberger, Bucklen & Tennis, P.C. voices appreciation for the opportunity to comment on the FASB's Proposed Accounting Standards Update, *Presentation of Financial Statements (Topic 205): Disclosures of Uncertainties about an Entity's Going Concern Presumption* (the "proposed standard").

We applaud the efforts of the FASB (the "Board") in drafting the proposed standard, which aims "to provide preparers with guidance in U.S. GAAP about management's responsibilities for evaluating and disclosing going concern uncertainties and, thereby, reduce existing diversity in footnote disclosures" (FASB, 2013, June 26, p. 1). We also recognize that through this initiative, "the Board believes that the proposed amendments also would improve the timeliness and the quality of footnote disclosures about going concern uncertainties" (FASB, 2013, June 26, pp. 1-2).

We are aware of the inherent complexities associated in developing the proposed standard, one that meshes theoretical and practical considerations. Likewise, we remain cognizant of the complications that arise when crafting the proposed standard, which is meant to meet the needs of such disparate entities: publicly and privately held entities of varying sizes – small, medium, and large.

Despite the aforementioned complexities, we see value in aspects of the proposed standard as it seeks to enhance consistency, timeliness, and quality with respect to footnote disclosures pertaining to going concern uncertainties. But we also believe that a certain level of prudence should be observed in considering the effects of the proposed standard on small to medium sized privately held entities separate from the effects of the proposed standard on publicly held and large privately held entities. As a result, while we support the objectives of the proposed standard, we do not support the proposed standard in its current form.

The Proposed Standard: Our Stance

We recognize that at the current time, "there is no guidance in U.S. GAAP about management's responsibilities in evaluating or disclosing going concern uncertainties" (FASB, 2013, June 26, p. 1) and that there "is no guidance in U.S. GAAP about when and how going concern uncertainties should be disclosed in an entity's financial statement footnotes" (FASB, 2013, June 26, p. 1). We further note that the proposed standard seeks to mitigate these issues by bolstering the consistency, timeliness, and quality of footnote disclosures regarding going concern uncertainties. More specifically, we understand that the proposed standard would strive to reach these objectives by having an entity "evaluate going concern uncertainties by assessing the likelihood that the entity would be unable to meet its obligations as they become due within 24 months after the financial statement date" (FASB, 2013, June 26, p. 2).

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While we agree that the proposed standard would help to alleviate problems associated with consistency, timeliness, and quality of footnote disclosures with respect to going concern uncertainties, we believe that by applying the proposed standard to disparate entities, the Board overlooks the opportunity to devise a standard that is geared towards two important aspects of an entity – its structure and size – both of which have an effect on the needs of the entity's stakeholders.

Regarding structure and size, publicly held and large privately held entities generally have stakeholders that demand positive assurance through audited financial statements. As a result, these entities have management with the technical U.S. GAAP knowledge to evaluate judgments, such as going concern uncertainties. On the other hand, small to medium sized privately held entities, which encompass the bulk of our firm's business, have stakeholders that require either limited assurance through reviewed financial statements or no assurance through compiled financial statements. In addition, these entities may not have management with the technical U.S. GAAP knowledge to evaluate going concern uncertainties.

We believe that by applying the proposed standard on small to medium sized privately held entities that do not have the resources to make complicated and technical U.S. GAAP judgments, such as going concern uncertainties, an undue burden is placed on the entity's external accountant in evaluating such uncertainties. In particular, the accountant performing a review or compilation uses extensive judgment in evaluating whether going concern uncertainties for the 12 month period after the date of the financial statements should be disclosed. And, in our opinion, without the ability to discuss the technicalities of going concern issues with sophisticated management, it is extremely difficult, and perhaps impractical, for the accountant to evaluate going concern uncertainties for the 24 months after the date of the financial statements. So in addition to placing a yoke around the neck of the accountant, this proposed standard may also expose the accountant to potential legal liability for the inability to foresee the failure of a small sized entity – which by nature is more prone to failure than a large sized entity – up to 24 months after the date of the financial statements. Consequently, we do not support the proposed standard in its current form.

Our Recommendations for the Proposed Standard

We recommend that the Board consider the following modifications to the proposed standard.

The proposed standard should be altered to differentiate the manner in which publicly held and large privately held entities evaluate going concern uncertainties as opposed to the manner in which small to medium privately held entities evaluate going concern uncertainties. Or to put it more simply, the Board should consider differentiating the imposition of the proposed standard on large entities that are required to present audited financial statements as opposed to small entities that are required to have reviewed or compiled financial statements. That is, for small to medium privately held entities that have management that is not well-versed with respect to the technical U.S. GAAP knowledge necessary to evaluate going concern uncertainties and that have stakeholders that require limited or no assurance by requiring reviewed or compiled financial statements, respectively, we ask that a less stringent standard be applied. For these cases (i.e., small to medium size privately held companies), we recommend that the current 12 month period after the date of the financial statements remain as the standard for evaluating going concern uncertainties.

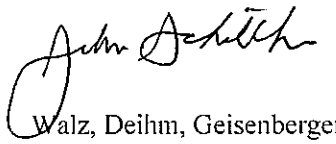
Conclusion

By relaying our modifications to the proposed standard, we believe that the result would be a standard that respects the needs of entities of varying structures and sizes and their respective stakeholders. In addition, we also believe that if the abovementioned modifications are incorporated into the proposed standard, the consistency, timeliness, and quality of footnote disclosures regarding going concern uncertainties will be strengthened. And in turn, the entity itself, the entity's stakeholders, and society will benefit.

Appendix I, which is attached to this letter, exhibits our responses to selected Questions for Respondents that pertain to the comments put forth in this letter.

If you have any questions regarding our comments, please contact John Schilthuis at 717.393.8200.

Sincerely,



Walz, Deihm, Geisenberger, Bucklen & Tennis, P.C.

Appendix 1:

Our letter relays reservations that we have regarding the proposed standard's effects on small to medium sized privately held entities whose stakeholders do not require additional assurance of going concern issues. Namely, we voice reservations with respect to the ability of management – that may not have extensive technical U.S. GAAP knowledge – to evaluate going concern uncertainties. Furthermore, we also note reservations with respect to accountants evaluating going concern uncertainties for 24 months after the date of the financial statements for small to medium sized entities that have management that is not comfortable with participating in such evaluations.

In light of these documented reservations, we choose to relay our responses to the two questions below.

Questions for Respondents

Overall

Question 2: Currently, auditors are responsible under the auditing standards for assessing going concern uncertainties and for assessing the adequacy of related disclosures. However, there is no guidance in U.S. GAAP for preparers as it relates to management's responsibilities. Should management be responsible for assessing and providing footnote disclosures about going concern uncertainties? If so, do you agree that guidance should be provided in U.S. GAAP about the timing, nature, and extent of footnote disclosures about going concern uncertainties for SEC registrants and other entities? Why or why not?

We believe that management should be responsible for assessing and providing footnote disclosures about going concern uncertainties. However, in practice, we realize that management may not always have the technical U.S. GAAP knowledge necessary to evaluate complex issues, such as going concern uncertainties. Therefore, we believe that a special provision should be made to differentiate the standards for entities that fall into this category: small to medium sized privately held entities whose stakeholders require limited or no assurance.

As we voice agreement for management's responsibility in relation to going concern uncertainties, albeit with the exceptions noted in the previous paragraph, we also agree that guidance should be provided in U.S. GAAP about the timing, nature, and extent of footnote disclosures about going concern uncertainties for SEC registrants and other entities. We state our agreement because we understand there are inherent complexities in evaluating issues, such as going concern uncertainties, and believe that it would be beneficial to have a guidance framework that both external accountants and management may to turn to for reference.

Disclosure Threshold

Question 12: The proposed amendments would require an entity to assess its potential inability to meet its obligations as they become due for a period of 24 months after the financial statement date. Is this consideration period appropriate? Is it appropriate to distinguish the first 12 months from the second 12 months as proposed in the amendments? Why or why not?

We believe that the consideration period of 24 months after the financial statement date is appropriate for publicly held and large privately held entities that have management with the technical U.S. GAAP knowledge to assess going concern uncertainties. However, we do not believe that the 24 month consideration period is appropriate for small to medium privately held entities that may have management that do not have the technical U.S. GAAP knowledge to assess going concern uncertainties. In these instances, we believe that the consideration period will place undue burdens on public accountants while

also exposing the accountants to the risk of potential liability for lawsuits that may be related to the failure of a small business up to 24 months after the date of the financial statements.

It is also important to note that we believe it is appropriate to distinguish the first 12 months from the second 12 months as proposed in the amendments. We state this agreement due to the differences in assessing going concern uncertainties for 12 months versus for 24 months. Certainly, different factors – both quantitative and qualitative – will affect the evaluation of going concern uncertainties for the first 12 months than will affect the evaluation for the second 12 months.

With that being said though, we repeat that it is important to provide a special provision for small to medium privately held entities. In particular, we believe that these small to medium privately held entities should only be required to evaluate going concern uncertainties for the first 12 months after the date of the financial statements.