



13 September 2010

Our ref: ICAEW Rep 91/10

Mr Tim Woo
AICPA/FAF/NASBA 'Blue-Ribbon' Panel on Standard Setting for Private Companies
Financial Accounting Foundation
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By email: tswoo@fasb.org

Dear Tim

'BLUE-RIBBON' PANEL ON STANDARD SETTING FOR PRIVATE COMPANIES

ICAEW welcomes the opportunity to respond to the AICPA/FAF/NASBA 'Blue-Ribbon' Panel on Standard Setting for Private Companies' call for written input.

ICAEW operates under a Royal Charter, working in the public interest. Its regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the UK Financial Reporting Council. As a world leading professional accountancy body, we provide leadership and practical support to over 134,000 members in more than 160 countries, working with governments, regulators and industry in order to ensure that the highest standards are maintained. We are a founding member of the Global Accounting Alliance, which has over 775,000 members worldwide.

We have filled in the form (attached) to respond to Question 1 in the call for input. As we are not users, Question 2 does not apply to us. We respond below to Questions 3 to 6. The answer to Question 7 is that I am responding on behalf of ICAEW.

Question 3

We do not have any specific issues or concerns with current standards for US private company financial statements.

Question 4

As stated in response to Question 3, we do not have any issues or concerns with current standards.

Question 5

(a) An SEC requirement for public companies to adopt IFRS would not affect our answers above, but would reinforce our answer to Question 6 below.

(b) Other outside factors would not affect our answers to the earlier questions.

Question 6

The question of the future of accounting standards for private companies is not one that affects only US companies. It is also an issue in Europe and no doubt in the rest of the world too as a growing number of countries adopt or move towards International Financial Reporting Standards for public companies.

In the UK, though no final decision has been taken, it seems likely that we will move towards adopting the *IFRS for SMEs* for private companies. The reasons for this expected decision are partly to do with the fact that IFRS is already required for the consolidated accounts of public companies here and that UK GAAP, currently still used by UK private companies, has already converged with IFRS to a very significant extent. However, we also see the *IFRS for SMEs* as a high quality, well-drafted and concise set of requirements in its own right, and this has greatly strengthened the case for its adoption in the UK. In addition, many private companies have international connections, and movement towards IFRS is helpful for these businesses. While some of these considerations would not be relevant in the US unless IFRS is adopted there for public companies, we believe that others may well be relevant in the US as well as in the UK, especially as US GAAP and IFRS have taken important steps towards convergence in recent years.

We note, however, that the Panel has already decided not to consider any IFRS-based approaches, and to focus exclusively on US GAAP based options. We understand that the reason for this is that even if IFRS were to be adopted for US companies, adoption would not in fact take place for at least five years. As we have explained, we believe that there is a case for considering the *IFRS for SMEs* as an option even if IFRS is not adopted for US listed companies in the near future. If IFRS is in fact adopted, either in five years' time or at some later date, the experience that will have been gained through familiarity with the *IFRS for SMEs* would facilitate the eventual transition process. The Panel may therefore wish to reconsider its exclusion of any option based on IFRS, and in particular the *IFRS for SMEs*.

Please contact me should you wish to discuss any of the points raised in this response.

Yours sincerely

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“Blue-Ribbon” Panel Written Submissions from Constituents

1. How would you primarily categorize your company (or if a trade organization your members) as it relates to private company GAAP financial statements?

Check the appropriate box.

- ☐ Lender
- ☐ Surety
- ☐ Investor
- ☐ Owner
- ☐ Other user
- ☐ Preparer (complete item 2 and 3)
- ☐ Trade organization (complete item 2)
- ☐ CPA practitioner (*describe briefly your client base, size and complete item 4*)
- ☐ Regulator
- ☐ Academic
- ☒ Other (*describe briefly*): Professional body – please see letter of comment

2. If you are a preparer or a trade organization, indicate the type of industry in which you (or your members) are primarily engaged:

- ☐ Banking/financial institutions
- ☐ Financial services/investment
- ☐ Health care
- ☐ Manufacturing
- ☐ Real estate
- ☐ Retail
- ☐ Technology
- ☐ Transportation
- ☐ Other (*describe briefly*):

3. If you are a preparer, indicate your company's annual revenue size:

- ☐ Less than \$10 million
- ☐ Between \$10 million and \$100 million
- ☐ Between \$100 million and \$1 billion
- ☐ Greater than \$1 billion

4. If you a CPA practitioner, indicate your firm size:

- ☐ Firm with fewer than 5 partners (including sole practitioners)
- ☐ Firm with 6 to 20 Partners
- ☐ Firm with 21 to 100 Partners
- ☐ Firm with 101 to 500 Partners
- ☐ Firm with over 500 Partners