

From: Raymond F. Marin, CPA
To: CommentLetters
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Enhancing the Financial Accounting and Reporting Standard-Setting Process for Private Companies

First, we are a local Firm located in the South Florida area. We have two (2) offices, one in North Miami Beach and the other in Palm Beach Gardens. Our client base comprises of small private businesses. We do not perform services for companies registered with the SEC or for any other form of publicly held registrants. We do perform attestation functions, where requested and render opinions, including unqualified, review and compilations to a limited number of private companies. All those financial statements are prepared in accordance with GAAP and contain full disclosures. A part of our practice consists of write-ups and whose opinions we render are compilations without disclosures and where applicable on those write-ups contain the lack of independence sentence due to the adjustments which we may do.

While we understand the attempted bridging between public/private disclosures otherwise known as big GAAP vs. little GAAP, we do not believe in having two (2) standards of GAAP. That is like having two standards of the same law. We understand cost-benefit considerations. However, we live in an extremely complex society that creates, at times complex accounting transactions and problems, which require simple explanations to the users of financial data. Many of these private type of entities enter into the same type of complex transactions as do public entities. The only difference is they have no-one to report to, except the users, which is usually a financial institution insured by the Federal government. In all these types of entities there should be no difference in GAAP. The users of these private type of entities are entitled to have the same information in financial statements as would any public company. They make economic decisions based upon those financial statements, as being uniform between all entities. Having variances in GAAP could give rise to disclosure failures, which may have been meaningful. Those type of failures could lead to business failures or other types of liquidity or other interruptions.

With the profession leaning more and more to the IASB, especially with current values, having differences in GAAP would add more confusion, to an already complex profession.

We do concur that a limited amount of disclosures could be condensed to be more meaningful. Areas such as income tax, pensions, and other disclosures in private companies could be reduced, but not eliminated (just as you did with EPS). This would not give rise to little GAAP but would only give rise to a better understanding to a principal and be more meaningful to them. Institutional users understand these types of matters and usually penalize the small business owner with deductions for intangibles et al. Besides, financial institutions usually require the small business owner to personally guarantee any type of loan. While they may give asset based loans based on strong financials in accordance with GAAP they continue to exploit non-public companies.

We concur that all discussions should be open with a deliberative process. That both bodies (FASB/AICPA) encourage input from the private companies and their CPA firms, other than the national firms. Everyone knows how the nationals lean anyway. While you may not want to create little GAAP, you inadvertently may. It continues to be most important to always maintain high-quality accounting and disclosure standards. Both bodies should lead and not be fooled by standards outside the US, which some of us believe to be sub-standard. There should be no differences in the income recognition or measurement. Any alternative should be in the form of disclosure and the transitional period. The exception to the disclosure and transitional period would be matters that would require constant restatements (i.e. FASB 46 (R)). Then it should be effective like any public company. While we agree to committee participation, we are not too sure that being non-compensated is in the best interest of the profession. Only those who can afford to be away at times would volunteer and those in the trenches would shy away because on loss

of earnings (the sole practitioner). It is presumed that the committee will be well represented by a mix of the large/medium/small in the private sector as well as the profession from the medium and small. In addition, it would be more attractive to the business community if the FASB/AICPA visit various regions in the country and not just hold everything in either New York/New Jersey or Connecticut. Again, we do not concur in material differences in GAAP. When there is a failure resulting in a difference in GAAP, then the legal fees will supercede any cost-benefit relationship.

There is a presumption that we are not discussing the good old "write-up" small business, which, by the way, is the back bone of the business community. Let them continue to use either the tax or OCBOA method, and include the appropriate opinion for these "write-ups". They are the other GAAP.

Thank you for the opportunity. By the way, I know that I ramble.

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