

From: **Kenneth S. Frebowitz, CPA**  
To: CommentLetters  
Subject: Comments on the Private Company Financial Reporting Proposa

Dear Sir/Madam:

Thank you for the opportunity to comment on the Private Company Financial Reporting proposal.

In concept, I believe this is a significant step in the right direction, a step that is many years overdue.

Because of the gross indiscretions of a chosen few dishonest people, the entire accounting profession has been uprooted to ensure these improprieties do not occur again. I am in no way belittling the results of the actions of those dishonest few which led to the significant number of pronouncements over the past several years, I only mean to point out the pendulum was very far left, and these new pronouncements have taken it to the very far right. We need to come to a reasonable middle ground that works for all accountants.

Our firm is located in suburban Philadelphia, and the clientele we handle is entirely small to medium sized closely-held companies. We provide the normal accounting and tax services to our clients, but also work very hard at providing quality small business consulting services tailored to the specific needs and personalities of our clients. Personally, I have found practicing accounting has become much less satisfying over the past several years. We have had to adjust our accounting function to include more quality control and administrative tasks which take away time to provide our clients with practical information on how to run and improve their businesses. Moreover, we have found it necessary to charge our clients for the endless preparation of checklists, memos, etc., which they do not understand nor do they appreciate; there is not much value added to our services for these additional charges they are paying.

Please understand I believe it is imperative we as accountants view our responsibilities to fair reporting both to the client and to the end-users of financial statements as extremely important, and further believe it is critical we pay attention to areas that are conducive to acts of wrongdoing. However, it seems as if many of the pronouncements we are required to follow pertain to the needs of large, publicly held companies and their stockholders. My clients do not understand what a variable interest entity is, nor do they care. They also do not appreciate having to pay for our time devoted to complying with the related pronouncements as mandated by and to our profession.

In short, as a member of the American and Pennsylvania Institutes of Certified Public Accountants, I feel as if we, and other firms of our size servicing clients with needs similar to ours, have not been heard nor fairly represented when it comes to practicing practical accounting. We do not work for the AICPA, we work for our clients. This is a disturbing trend currently facing the medical profession, in that while their Oath dictates

their responsibility to their patients, their medical practices are being more and more dictated by the insurance companies. In both cases, the end user's needs are being ignored in favor of greater outside interests, and the attention is being drawn away from quality service in favor of protecting our own hides.

In specific response to your questions, I offer the following:

1. I believe the proposal contained in paragraphs 16-29 will improve the accounting standard-setting process for private companies *provided* the process is timely and proactive. It would create additional frustration if the vehicle were put in place but anything meaningful being generated was delayed in bureaucracy.
2. As far as whether the proposed changes will help ensure that the financial reporting needs of constituents of private companies are met, only time will tell. I would hope to emphatically answer "yes" to this question, and would very much hope to do so in the very near future, but the answer will depend on how timely, reactive, and meaningful the resulting pronouncements are.
3. I entirely agree with the statement that differences in GAAP for private companies should be based on financial statement user needs and cost-benefit considerations. We strive to condense our clients' financial operations into meaningful data to be used to more effectively in running their businesses; this desired result is frequently undermined by accounting requirements applicable to larger companies and not applicable to the small to medium sized business.
4. I believe that the members of the Committee should be reasonably compensated for their expertise. The old adage "you get what you pay for" is more correct than not. A reasonable compensation will help to staff the Committee with a higher level of talent and will also help maintain the dedication of the members to the Committee's goals and objectives. Besides, we are professionals who are entitled to receive compensation for our professional efforts, especially when the efforts directly benefit others who are compensated for their services.
5. I agree the Committee should set its own agenda and priorities. A fully autonomous group has a much greater chance of achieving its goals and objectives.

I again want to thank you for the opportunity to comment on this proposal. I truly hope other CPAs servicing the small to medium sized client will see the merit behind its intention and will voice their opinion accordingly.

Respectfully submitted,



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