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NASBA and AICPA Pledge Cooperation on Private Company Financial Reporting Frameworks

Nashville, Tenn. and New York (July 15, 2013) – The National Association of State Boards of Accountancy (NASBA) and the American Institute of CPAs (AICPA) have issued the following joint statement:

“The AICPA and NASBA have a shared belief that current Generally Accepted Accounting Principles (GAAP) may not always meet the needs of small private businesses and the users of their financial statements.

The Private Company Council (PCC), which was established as a result of the ‘Blue-Ribbon’ Panel on Standard Setting for Private Companies created by NASBA, the AICPA and the Financial Accounting Foundation, is currently developing an authoritative GAAP solution for private companies that we strongly support. The PCC has made excellent progress to date and both NASBA and AICPA are committed to the PCC’s eventual success in developing a GAAP-based financial reporting model for all private companies.

As the PCC works to fulfill its mission to modify GAAP for private companies, the AICPA has developed the Financial Reporting Framework for Small- and Medium-Sized Entities (FRF for SMEs) to provide private, owner-managed Main Street businesses a non-GAAP accounting framework that is simple to apply and cost beneficial. We believe that preparers and users of private company financial statements should responsibly assess the accounting approach to meet their current and future needs depending on individual company facts and circumstances.

The AICPA and NASBA are committed to engaging in an effort to ensure that the FRF for SMEs, as a non-authoritative framework, is not confused with GAAP and that entities that utilize GAAP or a non-GAAP solution do so in a suitable and transparent manner. To that end, the AICPA, with NASBA input, will develop a decision-making tool to assist entities with determining whether use of the FRF for SMEs is suitable or not. Additionally, illustrative financial statements and disclosures will be developed to distinguish FRF for SMEs-based financial statements from GAAP-prepared statements.

CPAs who report on financial statements prepared in accordance with GAAP, or a special purpose framework, such as the FRF for SMEs, will be held to the highest standards of professional practice by U.S. Boards of Accountancy.”

About NASBA

Celebrating more than 100 years of service, the National Association of State Boards of Accountancy (NASBA) serves as a forum for the nation’s Boards of Accountancy, which administer the Uniform CPA Examination, license more than 700,000 certified public accountants and regulate the practice of public accountancy in the United States.

NASBA's mission is to enhance the effectiveness and advance the common interests of the Boards of Accountancy in meeting their regulatory responsibilities. The Association promotes the exchange of information among accountancy boards, serving the needs of the 55 U.S. jurisdictions.

NASBA is headquartered in Nashville, TN, with satellite offices in New York, NY, and San Juan, PR, and an International Computer Testing and Call Center in Guam. To learn more about NASBA, visit www.nasba.org.

About the AICPA

The American Institute of CPAs (AICPA) is the world's largest member association representing the accounting profession, with nearly 386,000 members in 128 countries and a 125-year heritage of serving the public interest. AICPA members represent many areas of practice, including business and industry, public practice, government, education and consulting.

The AICPA sets ethical standards for the profession and U.S. auditing standards for audits of private companies, nonprofit organizations, federal, state and local governments. It develops and grades the Uniform CPA Examination and offers specialty credentials for CPAs who concentrate on personal financial planning; fraud and forensics; business valuation; and information technology. Through a joint venture with the Chartered Institute of Management Accountants (CIMA), it has established the Chartered Global Management Accountant (CGMA) designation to elevate management accounting globally.

The AICPA maintains offices in New York, Washington, DC, Durham, NC, and Ewing, NJ.

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