FOR IMMEDIATE RELEASE

Contact:
Thomas G. Kenny
Director, Communications
Office: (615) 880-4200
Cell: (615) 804-3575
tkenny@nasba.org

NASBA Stands Behind GAAP for Private Companies:
Opposes Non-Authoritative Frameworks

NASHVILLE, Tenn., June 13, 2013 – The National Association of State Boards of Accountancy (NASBA) reaffirmed today its support of Generally Accepted Accounting Principles (GAAP) as modified by the Financial Accounting Standards Board (FASB) to meet the financial reporting needs of private companies. NASBA believes significant progress is being made by the Private Company Council (PCC) of the FASB. Consequently, private companies should not consider adopting the Financial Reporting Framework (FRF) for Small and Medium-Size Entities released by the American Institute of Certified Public Accountants (AICPA) on Monday.

“At a time when accountability and transparency of those in authority is scrutinized, it is troubling that a non-authoritative proposal to significantly weaken the financial reporting of private companies and public protection is even being suggested,” said Gaylen R. Hansen, CPA, Chair of NASBA.

NASBA is the national organization for the 55 U.S. Boards of Accountancy which have a Constitutional responsibility to protect the public, including ensuring that high quality standards are upheld by certified public accountants and their firms. Forty years ago, both the Securities and Exchange Commission and the AICPA agreed that the FASB, which is independent of special interests, would be the single, duly-authorized body to promulgate accounting standards. The PCC was formed in 2012 as the result of deliberations of the Blue-Ribbon Panel on Standard Setting for Private Companies, a group sponsored jointly by the AICPA, the Financial Accounting Foundation (FAF - the parent organization of the FASB), and NASBA.

This past year, the AICPA created the FRF as an Other Comprehensive Basis of Accounting (OCBOA), sometimes recently referred to as a special-purpose framework, but without appropriate due process, and despite the decision of the FAF to continue to vest all standard-setting authority with a single body, the FASB, and without substantial support from many stakeholders, including accounting regulators. In January, NASBA requested that the FRF initiative be tabled or withdrawn until the work of the PCC could be evaluated.

-more-
Subsequently, on June 10th, the same day the FRF was released, the FASB endorsed the first three proposals of the PCC.

NASBA previously pointed out these glaring deficiencies in the FRF:

- It represents non-authoritative guidance and therefore will be very difficult to regulate or enforce.
- The scope, “small and medium size entities,” is undefined. As such, any private company, regardless of size or financial backing, could potentially adopt the FRF.
- It allows the use of GAAP financial statement titles, yet does not require disclosure of differences with GAAP, which will cause confusion and invite fraud and abuse.

“The State Boards’ responsibility to ensure quality service from the CPAs they license makes any potential weakening of the standards of practice a matter of great concern to Board members across the country,” NASBA President Ken L. Bishop stated. “We will continue to assist the State Boards in fulfilling their public protection role by only backing standards that come from authoritative sources.”

Mr. Hansen announced that concerned Boards of Accountancy will be provided information and guidance to address the use of non-authoritative OCBOAs issued by private-sector organizations. This may include communication to all CPAs and CPA firms that the use of the FRF does not have the support of the Board, nor NASBA, and that they should consider the risks of using or recommending the use of the FRF, or any other non-authoritative options, to clients or employers.

In the interest of furthering public protection, NASBA is also developing recommended rule language prohibiting the use of non-authoritative standards unless it is acceptable to Boards of Accountancy. Further, a study group has been appointed to analyze the standard-setting structure and processes for accounting, auditing and professional ethics for services provided to private entities. The study group will include State Board regulators from around the country.

Boards of Accountancy met at the Western Regional Meeting June 5-7 in New Orleans and will meet again at the Eastern Regional Meeting June 26-28 in Chicago. Discussions of participants include the progress of the PCC, concerns over the FRF, as well as changes to the Uniform Accountancy Act, the Code of Professional Conduct, the Uniform CPA Examination and financial statement compilation services. More information about the meetings can be found on www.nasba.org.

**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.

-more-
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.

###