

"Harry Taylor"

<harry@partnersinprosperity.ca>

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To <ed.accounting@cica.ca>

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Subject financial reporting comments

In my opinion the "Made in Canada" approach to financial reporting based on the recently introduced CICA recommendations for SME's is the applicable choice for the private company with no external user. The Private Company with significant external user would then use this base and enhancements could be adopted as outlined by the AccSB. The majority of my clients and the users they report to would have all their reporting needs met with this standard. My largest client, who would be a private company with external user, has refused to adopt full GAAP statements and has voluntarily opted out of the full GAAP statements, specifically the requirements of EIC 122. This has been accepted by the lender. They are seeking a solution similar to the one proposed by CICA.

I propose that any private company should be able to choose the approach that they use for their financial statements. A small oil and gas private company any choose to use the public company framework if they intend to go public within five years, whereas the very large private company may choose the simpler approach as they have no intention of going public. As a client has a choice between audit and review they should have a choice between the accounting standards approach they adopt.

The external users for the statements I prepare are mainly bankers and they have indicated to me they require information on cash flow and are very comfortable in using historic cost rather than fair value and would prefer the made in Canada approach.

In most cases comparability with other companies is not a significant issue. What is important is the comparability from year to year and the ability to monitor trends and ratios.

There is a very strong case that private and public companies have very different needs and uses for their financial statements and I think it would be a mistake to put all these companies in the same reporting requirements. Those private companies that have a need to compare with public companies and have outside users requesting this information can adopt the same standards as the public company. Otherwise the Made in Canada solution is a significant step forward for a reasonable and practical solution to financial reporting in Canada.

Harry Taylor C.A.
Partner, Prospera Chartered Accountants
404, 10325 Bonaventure Dr SE
Calgary AB. T2J 7E4
harry@partnersinprosperity.ca