

Chartered Accountants
Business Advisors

45 St. Clair Avenue West Suite 1400
Toronto ON M4V 1L3

T. 416 967 5100

F. 416 967 4372

www.sterncohen.com

October 19, 2007

Mr. Peter Martin
Director, Accounting Standards
Accounting Standards Board
277 Wellington Street West
Toronto, ON M5V 3H2

Dear Mr. Martin:

Re: Financial Reporting for Private Enterprises

We have reviewed the discussion paper, Financial Reporting by Private Enterprises, and would like to submit our response and opinion thereon. Our firm supports a top-down approach based on GAAP for publicly accountable enterprises (option 1) as it provides the strongest linkage to International Financial Reporting Standards (IFRS). We believe this is ideal both from a client and professional perspective for the following reasons:

Professional Perspective

- Recruiting of new CA's is difficult at the best of times. By adopting the top-down approach, the sustainability of the smaller to medium size public accounting firms will be maintained. Universities will more than likely teach undergraduates the top-down approach "Big GAAP". Consequently, new undergraduates entering the profession would drift towards the large firms that would provide them the "Big GAAP" experience rather than the smaller firms "Small GAAP" experience.
- Members of our profession and users of the financial statements view our profession as a unified group. The top-down approach would confirm this and avoid creating a two-tiered public perception. The two tiers that could be potentially created are the top-down (Big GAAP) and the small and medium enterprise (Small GAAP) public accounting firms. Does our profession want this public image?
- Implementation of the top-down approach will avoid standards overload. The profession would only need to rely on one set of principles, not two, that would provide the strongest linkage to international standards and be the most efficient. A public accounting firm that has both public and non-publicly accountable enterprises would need to stay abreast of two set of standards that may frequently change.
- Our current model of differential reporting has worked well for the profession. As such, by adopting the top-down approach, the potential for differential reporting for small/medium enterprises could be considered.

.../2

- Currently GAAP has a close linkage to GAAS. As GAAS is moving towards international standards, should GAAP not follow suit? The top-down approach would be best suited to maintain the linkage between accounting and auditing standards.

Client/User Perspective

- Adoption of the top-down approach would eliminate confusion, which would be created if the profession has two sets of standards. One set of standards would also eliminate the potential for bias in the application of the standards.
- For many small/medium business the principle approach provided by the top down standards would be no different than the current standards used today, and any complex standards would more than likely not apply.
- Adopting the top-down approach is especially applicable now more than ever, as many small businesses are taking their operations/transactions internationally.
- With today's global economy, external users would be better served by having one standard. One standard amongst all enterprises would provide the users of financial statements consistency and comparability between private and publicly accountable organizations within the same industry.

In conclusion, our firm strongly believes that adoption of the top-down approach is best suited for the profession and users of the financial statements.

If you require clarification on any of the above points, please feel free to contact our office.

Yours very truly,

STERN COHEN LLP

