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To ed.accounting@cica.ca  
cc  
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Subject Accounting Standards

To: Peter Martin  
Director, Accounting Standards

ITC - Financial reporting by private enterprises

My choice is Options 3 - An independently developed set of standards

My reasons:

1. Full GAAP should not apply as it has become increasingly more complicated for preparers to do, and the external users in 90% of the cases are C.R.A. and other taxing authorities who have their own reporting criteria. Owner/managers really do not care about GAAP - they don't understand it.
2. I do believe that fundamental accounting principles should be the basis for all financial reporting, however for smaller enterprises (my clients) many of the highly refined principles under GAAP are not applicable to such entities.
3. I do not believe that linkage between privately reporting entities to publicly reporting entities is important, because once again they serve a different user and comparability between the two groups is not relevant in any manner.
4. The third option makes the most economic sense, because it would provide the basic information to all users - banks have their own basis of qualifying clients for lending purposes, and taxing authorities also have specific reporting criteria and by the way our current compilation reporting system works ok, except that it does not exactly convey what we really have done.
5. I think that a non-GAAP guidance needs to be developed by the satisfy most smaller owner/managed entities. Larger private enterprises could use GAAP as they would more likely want to compare their organizations with public companies.

CICA for option 3 which would

This could possibly create two levels of accounting practitioners, formally, but what's wrong with that? We have lawyers and we have para-legals in another profession.

Not everyone who becomes an accountant wants to strive to work for the larger organizations who require all the refinements.

In fact, we now have more than one level of C.A.'s in Canada.

6. The objectives of financial statements for my clients are two fold; one is for the taxing authorities and the second (of lesser importance) is the owner/manager who does not really care about a bunch of numbers, but cares more about his taxes owing to various authorities.
7. Financial statement are addressed to the owner and manager who are one and the same person in 99% of our clients.
8. The basic elements of financial statements are similar for all organizations, globally; assets, liabilities, revenues, expenses and capital, and for smaller enterprises there really is not too much trouble in deciding when such elements are recognized, as common sense will prevail as to when something has happened ie: when does a sale take place, when is an asset recognized, etc.
9. Measurement objectives in many cases are dictated by taxing authorities as opposed to GAAP, ie: most owner/managed businesses will report amortization on the tax method rather than use an accounting calculation that is different, or assets are written off when no longer productive or have no economic value, etc. etc.

I make the above representations to the best of my abilities and beliefs, being a pragmatic person.

Respectfully submitted,

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