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10/22/2007 06:16 PM

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Subject Financial Reporting by Private Enterprises

The approach I find most reasonable for most of my small and medium sized clients is AHOME. I have one client that is using the new public standards as they come into force. Those standards are relevant to that client and the client is able to pay the extra costs. The new standards are not relevant to the balance of my clients and do nothing to add to the financial statements except cost.

The users of the financial statements are banks with exception of my one client who reports full standards.

External users of my/my clients' financial statements rely on these statements after they receive such additional information as they require to formulate a better picture of the asset values or potential cash flows. These items appear to be more tightly considered by the banks in the cases of small and medium enterprises.

There is a case for reporting different standards for private and public enterprises. A private company can always elect to report at the public standards level in those unusual cases where it is appropriate. I feel qualified to make profession judgments to recommend to clients when it is appropriate to change the standard in use.

I have always had problems in finding meaningful comparisons between public and private enterprises because of the large gap in approaches, procedures and cost structures. I do not understand the comparison of a private enterprise working out of the home with a public company with millions of dollars of overhead. Many of the analytic techniques only work when comparing private to private and public to public.