



National Association of State Boards of Accountancy

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January 28, 2013

Mr. Robert Durak
American Institute of Certified Public Accountants
1211 Avenue of the Americas, 19th Floor
New York, NY 10036

rdurak@aicpa.org

Re: Exposure Draft: *Proposed Financial Reporting Framework for Small- and Medium-Sized Entities*

Dear Mr. Durak:

We appreciate the opportunity to offer comment to the American Institute of Certified Public Accountants (AICPA) on its Exposure Draft – *Proposed Financial Reporting Framework for Small- and Medium-Sized Entities* (FRF-SME).

Under the Tenth Amendment of the U.S. Constitution and the Sarbanes-Oxley Act, Section 209, State Boards of Accountancy are vested with significant authority in the development, adoption and enforcement of standards. This authority is particularly relevant as it relates to the private sector and the topic of the exposure draft.

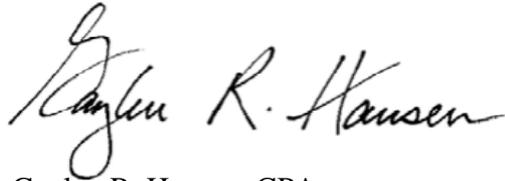
Given this authority, at the January 25, 2013 meeting of the National Association of State Boards of Accountancy (NASBA) Board of Directors, the above noted exposure draft was discussed at length. After serious consideration, the Board unanimously adopted the attached resolution which ultimately urges the AICPA to either table or withdraw its FRF-SME proposal.

The NASBA Board has significant concerns that AICPA's initiative to develop a non-authoritative financial framework will confuse practitioners, preparers, users and the public at large for many reasons and at many levels. Most importantly, the Board supports the Financial Accounting Foundation's formation of the Private Company Council (PCC) and firmly believes it must be given the opportunity to develop exceptions or modifications to generally accepted accounting principles for private companies through properly sanctioned and recognized standard setting processes.

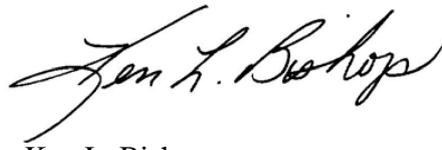
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Because of these concerns, the NASBA Board strongly urges the AICPA to either table or withdraw the FRF-SME proposal to allow the PCC to singularly, and without confusion, fulfill its role to improve the process of setting accounting standards for private companies through its voice with the Financial Accounting Standards Board.

Sincerely,



Gaylen R. Hansen, CPA
NASBA Chair



Ken L. Bishop
NASBA President and CEO

ATTACHMENT

Resolution of the NASBA Board of Directors regarding the AICPA's Proposed Financial Reporting Framework for Small- and Medium-Sized Entities

We, the NASBA Board of Directors, have reviewed the AICPA Exposure Draft, *Proposed Financial Reporting Framework for Small- and Medium-Sized Entities*, and have significant concerns on behalf of the Boards of Accountancy (BOA) in their mandate to protect the public interest. Based on the BOA authority derived under the Tenth Amendment to the U.S. Constitution, and the Sarbanes-Oxley Act, at our January 25, 2013, regularly scheduled meeting, we unanimously adopted the following Resolution:

Section 209 of the Sarbanes-Oxley Act recognizes the pivotal role State Boards have in the development, adoption and enforcement of standards, particularly those applicable to the private sector. Indeed, that Section provides in pertinent part:

“In supervising nonregistered public accounting firms and their associated persons, appropriate State regulatory authorities should make an independent determination of the proper standards applicable, particularly taking into consideration the size and nature of the business of the accounting firms they supervise and the size and nature of the business of the clients of those firms;”

NASBA continues to strongly support the Financial Accounting Foundation's establishment of the Private Company Council (PCC) to improve the process of setting accounting standards for private companies. We believe the AICPA's development and promotion of its *Financial Reporting Framework for Small- and Medium-Sized Entities* (FRF-SME) will confuse the profession, the public, and regulators.

The PCC needs a reasonable opportunity to develop standards uniquely applicable to private companies that can be authoritative and part of generally accepted accounting principles (GAAP). Therefore, we strongly believe the FRF-SME initiative should be tabled or withdrawn to allow the PCC to achieve its objectives.

The NASBA Board of Directors has therefore authorized its leadership to prepare and submit a letter to the AICPA expressing these concerns and urging the AICPA to either table or withdraw the FRF-SME proposal in order to allow the PCC to do its work to improve the process of setting accounting standards for private companies.

We remain faithfully dedicated to continuously monitor the activities of the PCC, including its accountability to serve the public interest.