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Isaac M. O'Bannon • Nov. 04, 2012

A proposed framework released by the American Institute of Certified Public Accountants on Thursday would offer small and mid-sized businesses in the U.S. a new method of financial reporting. The framework is intended for companies who are not required to use Generally Accepted Accounting Principles (GAAP).

CPAs and financial institutions who serve small businesses told the professional association about a “long overdue need for financial reporting relief,” said Barry Melancon, the president and CEO of the AICPA. He said the new guidance is intended to make reporting easier to understand, simpler to create, and more affordable to prepare than traditional GAAP financial statements.

For example, the new framework does not require cash-flow statements, and it “will use historical cost as its measurement basis and depart from the increased use of fair value.” A fact sheet of the proposed standards is on [the AICPA's website](#).

Other changes include fewer disclosures, a reduction in adjustments needed to reconcile tax return income with book income, and removing complicated accounting for derivatives, hedging activities and stock compensation.

The AICPA believes that financial institutions will welcome the proposed reporting methods because it will use “traditional accounting principles and accrual income tax accounting methods that are very familiar to lenders and have served the lending community well for many years.”

Furthermore, the AICPA stated, “Many SMEs do not need GAAP financial statements and their financial reporting needs can be better addressed by a less complicated and

more relevant financial framework like the FRF for SMEs.”

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