



# Evolution of a New Non-GAAP Reporting Option

## Landscape



- Millions of privately held companies throughout the U.S. do not need or are not required to have financial statements prepared in accordance with U.S. GAAP (generally accepted accounting principles)
- Such companies usually are smaller enterprises, do not plan on a change in ownership soon, do not intend to go public and are not in highly specialized industries
- Many owner-managed, for-profit businesses do not have CPAs on staff; they rely on their CPA firms as trusted business advisers
- While some small businesses have found the cash or tax basis of accounting acceptable, these bases may be insufficient or inappropriate for other companies or users looking for more robust and relevant financial information

## Solution

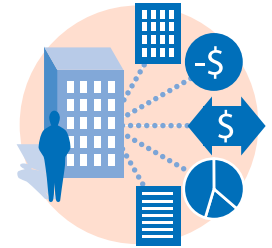
The Financial Reporting Framework for Small- and Medium-Sized Entities answers the needs of America's small business community in a cost-effective way. Financial statements based on the **FRF for SMEs™** accounting framework are:

- Robust
- Useful
- Simplified
- Consistent
- Concise
- Relevant



## Information You'll Get About Companies

- What they own
- What they owe
- Cash flow
- Comprehensive, yet concise, financial picture
- Informative disclosures



## Characteristics of the FRF for SMEs™

- Traditional and proven accounting methods
- Targeted disclosure requirements
- Historical cost measurement basis
- Optionality so financial statements can be tailored for users
- Uncomplicated and principle-based
- Simplified consolidation model and no concept of variable interest entities



## Primary Users of Financial Statements

- Small business owners
- Law and medical practices
- Bankers and other lenders
- Insurance companies
- Sureties
- Private investors



## Options When GAAP is Not Needed

Regulatory  
**Tax** FRF for SMEs™  
 Contractual  
**Cash**

