



Case Study: Getting the Users on Board



What happens when a potential client needs a parent-only financial statement? For one firm, that opportunity presented a chance to try the AICPA's new [Financial Reporting Framework for Small- and Medium-Sized Entities](#).™

"It was something they couldn't do under GAAP, but that was possible using the FRF for SMEs," says Steve Mannhaupt, CPA, audit partner at Grassi & Company, in Jericho, N. Y. And it allowed the CPAs to add value for a prospective client. "We were able to give them what they needed for a specific purpose," he says.

Generating Interest

The framework can be the best reporting option for private companies that do not require U.S. GAAP. However, as a CPA serving Main Street businesses, you might be asking: What's the best way to create interest in the FRF for SMEs?

"We thought it was important to get in front of users of financial statements before going to our clients," says Mannhaupt. "The best approach was to introduce the FRF for SMEs to bankers and sureties first, because if they didn't accept it, then trying to promote it with clients wouldn't help."

The firm, which has 250 professionals in three offices, serves a large number of owner-managed private companies, offering services from startup to exit. "We were very proactive in introducing the framework," says audit partner Lou Pizzileo, CPA. "We began with a session that introduced it to lenders in the region. We have since done other sessions in which we explain the framework and focus on the opportunities it offers to them and their small business customers."

Making Life Easier

In their presentations, Grassi & Company spotlight the advantages for all parties. "With users, we position the framework as something that will make their lives—and their small business customers' lives—easier," Mannhaupt says. "We explain that their small, family-owned business customers don't have the staff to keep up with ever-changing standards, let alone put together complicated GAAP statements." Grassi & Company staff note the many areas of complexity in GAAP, including items such as goodwill, derivatives and pension accounting.

"Much of that information is often not useful to a banker working with a typical business with up to \$50 million in revenues," Pizzileo says. "But there is a cost to preparing statements given that complexity. The FRF for SMEs gives users the information they need, so why incur the cost?" The CPAs emphasize the possibility that bankers who understand and accept the FRF for SMEs may have a competitive edge, given the many benefits for the companies that use it.

"It can be a differentiator for bankers," Pizzileo notes. Lenders may also get more timely statements because of the potential for quicker turnaround.

The Right Clients

Having laid the groundwork with bankers, the CPAs also considered which clients were best suited to use the framework. "If they're using special purpose or OCBOA financial statements, they're already set up internally for a GAAP alternative and they have the knowledge and skills necessary to put it to work,"

Mannhaupt says. The group will generally include owner-managed companies up to the \$50 million range with no outside capital.

With the client that needed parent-only statements, the initial project involved looking back to 2012 and 2013 statements, but the CPAs are now preparing current statements for the client.

Pizzileo does note that the framework isn't right for all clients, including fast-growing private companies that plan to take venture capital money or be acquired in the future. "They may need GAAP statements down the road," he says.

Getting Ready

The CPAs at Grassi & Company advise other practitioners not to be intimidated by the learning curve when adopting the framework, estimating that it can take as little as a half day to get up to speed. "It is very simple to go from the AICPA's FRF for SMEs toolkit to the final product," Mannhaupt says.

To leverage knowledge of the framework and be ready to serve clients as needed, he advises putting together a small team within the firm who are the FRF for SMEs go-to group. Both CPAs also recommend the comprehensive FRF for SMEs [toolkits](#) tailored for CPAs and firms, financial statement users and small businesses.

In the end, the framework is another tool in the firm's overall client service objective. "Our goal is to be helpful to our clients, and learning the framework made it easier for us to do that," Pizzileo concludes.