



# Case Study: A Banker's Perspective on FRF for SMEs™

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Belinda Robertson, CPA, Sr. Vice President, Loan Review, at Business First Bank, understands the importance of reliable, consistent financial reporting that tells her what she needs to know about clients' or potential clients' businesses. Her interest in a new non-GAAP financial reporting option was piqued by a presentation given by a local accounting firm in the Baton Rouge, Louisiana, area where her bank is located. "This firm provides excellent informational presentations for the business community," she says. She attended a half-day seminar held for bankers that included an overview of the [American Institute of CPAs \(AICPA\) Financial Reporting Framework for Small- and Medium-Sized Entities \(FRF for SMEs™\)](#). Robertson learned enough to conclude that the framework could be a good option for her bank and its lending customers.

## Confidence Is Key

"The framework appealed to me because it is a simple, straightforward solution that essentially offers everything I'm currently receiving from clients," she explains. Her organization is a community bank that does a great deal of local lending. GAAP reporting includes requirements that may not be relevant for many small business clients, so they frequently take GAAP exceptions in their financial statements, she says. "As a result, we are already getting documents that look a lot like FRF for SMEs statements. But instead of forcing me to figure out what I'm receiving, the FRF for SMEs framework has established guidelines. The reporting is done in a consistent manner, so if my bank decides to accept it, I can make comparisons and feel confident in the statements' overall reliability." Robertson's bank also accepts statements prepared on income tax or another basis instead of GAAP.

## Gaining Acceptance

After Robertson was sold on FRF for SMEs, she planned several steps to make sure her management and the rest of the lending team were on board. The process she recommends includes the following:

**Enhance your knowledge to help you present the framework to gain management buy in.** "I learned about the framework from a local CPA firm. Now, my plan is to recommend that our lending teams bring that firm in to present an educational session that will update and inform our entire team," she says. In fact, CPA firms can play a pivotal role by introducing the framework to their contacts in the banking community and offering to provide further information for them or their colleagues and staff, or bankers can seek out local accounting firms to discuss the framework with them.

**Get the lending team up to speed.** "Our bankers will need to understand the concepts involved and how FRF for SMEs works in practice so that they can feel comfortable accepting it,"

Robertson says. In particular, the internal lending team could benefit from exploring FRF for SMEs financial reporting and how it compares with the financial statements they're used to receiving, as well as the benefits the new framework provides. She expects that some of the most important questions will revolve around when FRF for SMEs is suitable. "We're a \$650 million bank, and we go up to the \$10 million mark in our lending," she says. "Given the range of companies we serve, our bankers will want to decide which situations are best suited for FRF for SMEs and which may call for GAAP reporting." In addition, "we work with companies that have CPAs as CFOs, so we want sufficient knowledge to have informed conversations with them about the framework."

**Address concerns.** Change is a cause of some trepidation for bankers, Robertson says. "My colleagues will want reassurance that financial statements will look the same every year so that they can compare trends and understand new developments," she says. "They want confidence that changing to a new reporting framework will provide solid advantages." The AICPA has created a number of resources to help bankers gain clear information and insight to address any of their concerns.

Because she is a CPA, Robertson considers herself in a position to pioneer the use of FRF for SMEs at her bank. "I can tell you that many of our small business clients are very well aware of how their companies are doing, so the people who are relying most heavily on financial statements are ones who are making decisions about lending them money," she says.

Bankers, lenders and other financial statement users may access free information and resources from the [AICPA FRF for SMEs Toolkit for Financial Statement Users](#). Targeted materials include:

- A [primer](#) on the FRF for SMEs reporting option
- An animated [video](#) highlighting the accounting framework's key benefits
- [Illustrative financial statements](#)
- [Comparisons](#) of the FRF for SMEs to other accounting frameworks
- A [sample financial statement/comparison spreadsheet](#) demonstrates the differences between the FRF for SMEs™, income tax and U.S. GAAP.
- A [backgrounder](#) on the FRF for SMEs
- A [flyer](#) outlining features of the FRF for SMEs accounting framework
- An [article](#) from the American Bankers Association (ABA) *Banking Journal* explaining the benefits of the FRF for SMEs framework
- [Frequently Asked Questions](#) addressing the most likely areas of interest to financial statement users
- A [PowerPoint presentation](#) explaining the framework