



financial executives  
international



LETTER OF COMMENT NO. 12A

Committee on Private Companies

November 6, 2007

Mr. Robert H. Herz  
Chairman  
Financial Accounting Standards Board  
401 Merritt 7  
P. O. Box 5116  
Norwalk, CT 06856-5116

RE: Request for Delay in the Implementation of FAS 157 for Private Companies

Dear Mr. Herz:

The Standards Subcommittee of the Committee on Private Companies (CPC) of Financial Executives International (FEI) wishes to share its views on the implementation of FAS 157 ("Fair Value") for private companies. The CPC acknowledges that there have been several requests for a delay; however we wish to note that private companies have unique concerns as summarized in this letter. FEI is the leading advocate for the views of corporate financial management in the United States. It is a professional association of more than 15,000 CFOs, treasurers, controllers, and other senior financial managers. With approximately 7,500 members from private companies, FEI has a strong base of knowledge to draw upon with regard to the financial reporting needs and requirements of the private sector.

The Committee on Private Companies (CPC) is a technical committee of FEI which formulates private company positions for FEI, considering the views of its membership. The CPC's views represent those entities that do not have public accountability and publish audited general purpose financial statements. This letter represents the views of the Committee on Private Companies, Standards Subcommittee, as a whole, and not necessarily the views of FEI. The size of our private companies range upward to in excess of \$1 billion in revenue. The respondents to a recent survey of FEI indicate that 51% of their companies have revenues above \$100 million, and about 10% have revenues above \$1 billion. Further, this study's data indicated that the vast majority of these companies have less than 10 owners and do not share financial information with vendors nor customers.

Our understanding is that the FASB is considering requests to delay the implementation of FAS 157. We wish to request that the FASB delay the implementation of the standard for a period of time during which the costs and benefits may be better understood for private companies.

Without getting into detail, it should be stated that private company shareholders, by and large, are substantially more active in the reporting organization than is the case in the public company. Further, they typically view the enterprise as an engine to generate cash flow as opposed to being an investment

alternative, as is the case for the prototypical public company. Further, the concerns of our other key user, the banks, are focused on the ability of the enterprise to meet liability service requirements. Since these exercises often require expert fees and time to prepare them, and audit fees to audit them, we as private companies, must question the cost benefit trade-off. It is our opinion that the Board would be well served to grant a delay for private companies, as it did for FAS 150, so that a considered analysis may be performed. Should there be further study by the FASB, we are confident that the conclusion it would come to would be that private companies should be exempted; however pending such a conclusion of the study, there should be a delay for private companies of FAS 157.

We thank you for listening to our views. If you have any questions or wish to discuss our specific concerns, please feel free to contact me at 412-257-3885 or [Bill.Koch@ddiworld.com](mailto:Bill.Koch@ddiworld.com) or Serena Dávila at FEI's Washington, DC office at 202-626-7809 or [sdavila@financialexecutives.org](mailto:sdavila@financialexecutives.org).

Very truly yours,

A handwritten signature in black ink, appearing to read "William Koch". The signature is fluid and cursive, with the first name "William" being more prominent than the last name "Koch".

William Koch  
Chair, Standards Subcommittee  
Committee on Private Companies  
Financial Executives International

Cc: Judy O'Dell  
Paul Glotzer