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Mr. Timothy Lucas
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Re: Proposed addition of a potential major project on to the Board's agenda --
financial performance reporting

Introduction and Summary

The National Venture Capital Association (NVCA) represents more than 420 professional venture capital firms located throughout the United States. Venture funding is a major factor in promoting innovation and entrepreneurial businesses. Indeed, last year, venture capital funds invested over \$103 billion in emerging growth companies. Venture capitalist, as investors are users of financial statements, particularly those of private companies. As board members on private, pre-public and publicly traded companies, venture capitalists also have a role in preparing financial statements. Therefore, venture capitalists bring a practical perspective to questions of financial reporting, seeking balance between what is useful to investors and what is practical for companies. Venture capitalists have a special interest in this project because it would apply to all companies that report under GAAP and would promote consistency in financial reporting.

NVCA is pleased to have the opportunity to comment, and supports the Board's tentative decision to adopt the "minimum approach" scope, No. 1, described on page 2 of the Proposal.

Discussion

NVCA agrees with the view that the net income presentation in GAAP financials is less relevant to investors than it once was. Investors demand measures of financial performance in addition to, and in lieu of, net income. Companies highlight key metrics like revenue growth, operating cash flow, etc., because investors seek these measures of company performance. The Board's consideration of whether to define in standards or require display of the types of widely used line items, subtotals and totals like operating income, income from core activities, depreciation, asset impairment and EBITDA would benefit both financial statement users and preparers. NVCA supports the "minimum approach" scope as opposed to the broader approaches. The "minimum approach" is a substantial project. Furthermore, a broader scope would take Board

into an area that is both overly broad and ill defined. Such a scope could substantially delay this project, which is already estimated to take three or four years.

Conclusion

NVCA supports the “minimum approach” to the scope of the project and believes that the expanded scope mentioned in the proposal would be overly ambitious. We believe that a patient, consensus-oriented approach to developing definitions and new display requirements for commonly used measures of performance will improve financial reporting.

NVCA looks forward to continuing to work with the Board on this and other important matters.

Sincerely yours,

Mark G. Heesen
President