

Private Company Financial Reporting Committee

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Judith H. O'Dell CPA CVA
Chair

November 27, 2012

Ms. Leslie Seidman
Chairman
Financial Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856

Re: Discussion Paper, *Disclosure Framework* (“Discussion Paper” or “proposed Disclosure Framework”)

Dear Ms. Seidman:

The Private Company Financial Reporting Committee (“PCFRC” or “Committee”) supports the objective of improving the effectiveness of disclosures in notes to financial statements and therefore supports the development of a framework that promotes consistent decisions about disclosure requirements by the FASB and the appropriate exercise of discretion by reporting entities. Presented below are Committee comments and recommendations linked to some of the specific respondent questions.

Respondent Question 2: *Do the decision questions in this chapter and the related indicated disclosures encompass all of the information appropriate for notes to financial statements that is necessary to assess entities’ prospects for future cash flows?*

PCFRC Response: The PCFRC recommends including more examples of applying the decision questions to help readers better understand how the FASB’s decision process would work. Paragraph 2.20 of the Discussion Paper states that FASB staff informally tested the decision questions by applying them to various accounting topics and comparing the results to the current disclosure requirements. Presenting the results of that exercise would be helpful.

Respondent Question 3: *Do any of the decision questions or the related indicated disclosures identify information that is not appropriate for notes to financial statements or not necessary to assess entities’ prospects for future cash flows?*

PCFRC Response: Some of the decision questions in the Discussion Paper appear to be about information required to be provided in Management’s Discussion and Analysis (“MD&A”). See Questions L5, L6, and O series of

questions in the Discussion Paper as examples. Private companies are not required to provide MD&A and the PCFRC recommends that the FASB avoid including MD&A-like decision questions and other guidance that will apply to private companies in the final Disclosure Framework.

In addition decision question L 13 *Will this line item be affected in future years by transition to an accounting standard that has been issued but not yet effective or not yet fully effective* might require disclosure of the anticipated effect on future financial statements and/or the pro forma effect on current-year financial statements. This is another example of forward looking information and would seem to negate the delayed effective date granted to private companies for most standards if pro forma effects had to be disclosed.

Respondent Question 5: *Do you think that this decision process would be successful in helping the Board to set more effective disclosure requirements? If not, what would be a better approach?*

PCFRC Response: The Committee recommends clarifying the interaction between the proposed Disclosure Framework and the proposed Private Company Decision Making Framework. The proposed private company framework encompasses decision criteria related to disclosures. Assuming that the private company framework is adopted by the Private Company Council and FASB and the proposed Disclosure Framework is approved by the FASB as either part of the Conceptual Framework or in the Codification, information or clarity about which document would prevail when the FASB is considering private company disclosure requirements is needed.

Respondent Question 6: *Would any of the possibilities in this chapter (see paragraphs 3.8 and 3.11) be a practical and effective way to establish flexible disclosure requirements?*

PCFRC Response: PCFRC members believe that the approach outlined in paragraph 3.11d of the Discussion Paper merits further exploration. Establishing multiple tiers of information items or otherwise providing a graduated scale of information requirements in each Codification topic is conceptually appealing. Having reporting entities making their own decisions about which level applies to them may represent a particularly relevant and cost-beneficial approach for private companies. The PCFRC has always recommended that the most ideal approach for private companies is to require a minimum base of relevant financial statement disclosures and then propose additional gradations of disclosures based on individual circumstances, in light of the fact that in most cases private company financial statement users have direct access to management and the ability to obtain additional information as needed.

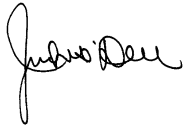
Respondent Question 10: *Can this approach (or any approach that involves describing the objective for the judgments) help identify relevant disclosures? If so, what can be done to improve it? If not, is there a better alternative? What obstacles do you see, if any, to the approach described?*

PCFRC Response: The Committee recommends that the concept of materiality be incorporated into the approach, recognizing that financial statement preparers must consider materiality when deciding upon relevant disclosures.

In addition, the supposition that judgment needs to be applied in applying the guidance should be added to the proposed Disclosure Framework. Related to the need to address the use of judgment in the proposed Disclosure Framework, the PCFRC is concerned that the final Disclosure Framework will lack authoritativeness as a Concept Statement. It seems to the PCFRC that the FASB is trying to encourage preparers to exercise judgment when making disclosures. The success of that is problematic because standards have specific requirements whereas the final Disclosure Framework will be a nonauthoritative Concept Statement.

The PCFRC appreciates the FASB's consideration of this letter. Please feel free to contact me if you have any questions or comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Judith H. O'Dell". The signature is fluid and cursive, with the first name being the most prominent.

Judith H. O'Dell
Chair
Private Company Financial Reporting Committee