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June 21, 2013

Ms. Susan M. Cosper Technical Director Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

File Reference No. 2013-250

Re: Invitation to Comment, Private Company Decision-Making Framework — A Guide for Evaluating Financial Accounting and Reporting Guidance for Private Companies

Dear Ms. Cosper:

Deloitte & Touche LLP is pleased to respond to the FASB's invitation to comment (ITC) on its proposed *Private Company Decision-Making Framework* — A Guide for Evaluating Financial Accounting and Reporting for Private Companies.

We appreciate the FASB's efforts to address the accounting and financial reporting needs of private companies, and we note that many of the comments in our October 31, 2012, letter on the discussion paper about this topic were addressed in this ITC. We support the proposed framework that the FASB and the Private Company Council (PCC) would use to determine whether alternatives to existing and proposed accounting standards are warranted for private companies.

The appendix to this letter contains our responses to several of the ITC's questions for respondents.

Deloitte & Touche LLP appreciates your consideration of our responses. If you have any questions, please contact Adrian Mills at (203) 761-3208.

Yours truly, Deloitte & Touche LLP

cc: Robert Uhl

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Appendix Deloitte & Touche LLP Responses to Questions for Respondents

Question 2: Do you agree that this guide is based on the appropriate differential factors between private companies and public companies (see paragraphs DF1–DF13)? If not, please explain why and include additional factors, if any, that you believe should be considered along with their potential implications to private company financial reporting.

We believe that the proposed guide is based on the appropriate factors that differentiate private companies from public companies.

Question 3: Overall, do you agree that this guide would lead to decisions that provide relevant information to users of private company financial statements in a more cost-effective manner? If it does not, what improvements can be made to achieve those objectives?

We generally agree that the proposed guide would result in a framework that would lead to decisions that provide relevant information to users of private-company financial statements in a more cost-effective manner.

Question 4: With respect to industry-specific guidance:

- a. Do you agree that this guide appropriately considers industry-specific accounting guidance for private companies? That is, should private companies follow the same industry-specific guidance that public companies are required to follow in instances in which the Board and the PCC determine that the guidance is relevant to financial statement users of both public companies and private companies operating in those industries? If not, why?
- b. Do you think factors other than user relevance, such as cost and complexity, should be considered when the Board and the PCC are determining whether or not to provide alternatives within industry-specific guidance?
- c. Do you think that industry-specific accounting considerations should be different between (i) recognition and measurement and (ii) disclosure?

We agree that private companies that apply industry-specific accounting guidance should follow the same industry-specific guidance that public companies are required to follow when such guidance is relevant to financial statement users of both public and private companies operating in those industries. If, in accordance with the proposed guide, such guidance is determined to be not relevant to private companies, the Board and PCC should consider alternatives.

Question 5: Do the different sections of this guide appropriately describe and consider the primary information needs of users of private company financial statements and the ability of those users to access management, and does the disclosure section appropriately describe the red-flag approach often used by users when reviewing private company financial statements (see paragraphs BC45 and BC46)? If not, why?

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We generally agree with the red-flag approach proposed in the guide and believe that it is appropriately described. However, additional clarification in the form of illustrations would be helpful, including an example of a currently required disclosure and how it would be modified under the red-flag approach. The guide should also clarify whether entities would use qualitative as well as quantitative information under the red-flag approach.

Question 6: Paragraph 1.5 includes the following questions for the Board and the PCC to consider in the recognition and measurement area of the guide:

- 1.5(e) Does the guidance require that the threshold for recognizing or measuring a transaction or event be at least probable of occurring?
- 1.5(h) Is it likely that users that are interested in the transaction, event, or balance can obtain information directly from management that can reasonably satisfy the objective of the guidance?
- 1.5(i) Is the lag between the year-end reporting date and the date financial statements are issued and made available to users likely to significantly dilute the relevance of the information resulting from the guidance?

Do you believe that the questions listed above are necessary for considering alternatives for private companies within recognition and measurement guidance? Or are the other questions in paragraph 1.5 sufficient for considering when alternative recognition and measurement guidance is appropriate for private companies within U.S. GAAP?

We believe that the staff has identified appropriate questions for the Board and PCC to consider, including the questions listed above, when applying the recognition and measurement component of the framework. We recommend that the framework also explicitly state that this list of questions is not all inclusive and that its application is a matter of judgment (i.e., that it is not a checklist with majority-rule outcomes).

The Board and PCC should also consider making the following clarifications:

- In Question 1.5(a), paragraph DF3 discusses adjusted EBITDA but does not describe which "additional noncash adjustments" entities might make in arriving at this measure of performance. An explanation of the nature of the adjustments may be useful to those applying the framework.
- Question 1.5(c) should indicate why the list of affected accounts includes only six specific balance sheet items.
- Question 1.5(e) should define the term "probable" (i.e., explain whether it refers to its use in the conceptual framework context or in the context of ASC 450).

Question 7: Do you agree that a private company generally should be eligible to select the alternatives within recognition or measurement guidance that it deems appropriate to apply without being required to apply all alternatives available to private companies within recognition and measurement? Do you agree that, in certain circumstances, the Board and the PCC may link eligibility for application of alternatives within recognition or measurement in one area to the application in another area? If not, why?

We agree that private companies should be permitted to select appropriate private-company accounting alternatives without being required to apply all the private-company alternatives for a given area of accounting (this is likely to depend on the facts and circumstances of the particular entity and the needs of its users). However, in some instances, it may be necessary for the Board and the PCC to link certain alternatives so that the accounting model for a transaction is cohesive.

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Other Considerations

We recommend that the Board consider the following questions (perhaps as part of its project on the definition of a nonpublic entity):

- In situations in which public companies have unconsolidated investments in private companies that apply the framework's alternatives (e.g., equity-method investees), would those public entities be required to make adjusting entries to undo the application of any private-company alternatives?
- How should preferability be determined for private companies if they change an accounting policy either to or from the permitted alternatives that apply specifically to private companies?