

October 31, 2012

Submitted via email: director@fasb.org

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

File Reference No. 2012-230

Dear Technical Director:

The Technical Issues Group (“TIG”) of the Missouri Society of CPAs (“MSCPA”) appreciates the opportunity to respond to certain matters in the Invitation to Comment, *Private Company Decision-Making Framework*. The views expressed herein are written on behalf of the TIG of the MSCPA. The TIG has been authorized by the MSCPA Board of Directors to submit comments on matters of interest to the society's membership. The views expressed in this letter have not been approved by the MSCPA Board of Directors or Executive Board and, therefore, should not be construed as representing the views or policy of the MSCPA.

While we support the Financial Accounting Standards Board’s (Board) efforts to address the needs of preparers and users of private company financial statements, the responses below are not intended to convey either support or opposition to the Board’s establishment of the Private Company Council (PCC) or the PCC’s intended authority and responsibilities. While we generally support any action by the Board that improves the standard setting process for private companies, we acknowledge that certain constituencies do not believe the current plan does enough to solve the problems of private company standard setting and believe a separate standard setting body, independent of the Board, should set accounting standards for private companies.

Thank you for considering our comments. We would be pleased to respond to any questions the Board or its staff may have about any of the following comments. Please direct any questions to Josh Ayers, Private Company Reporting Project Leader (jayers@stonecarlie.com).

Sincerely,

Electronic Signature

Josh Ayers
TIG Chairman and Project Leader

The following responses address selected questions:

Question 1: *Please describe the individual or organization responding to this Invitation to Comment.*

Response: The Technical Issues Group (“TIG”) of the Missouri Society of CPAs (“MSCPA”) appreciates the opportunity to respond.

The MSCPA is the largest professional association dedicated to advancing CPAs in Missouri and represents more than 8,000 members in public practice, industry, government and education. Established in 1909, the MSCPA provides members with continuing education, governmental advocacy, and networking opportunities, while working to further the future of the CPA profession through student-focused initiatives.

The objective of the TIG is to selectively respond to publicly issued exposure drafts of proposed accounting and auditing standards and rules and regulations issued by select standard setting bodies that have an impact on the practice of accountancy in Missouri. Members of the TIG include financial statement preparers, users, and public accountants with both public and private company experience.

Question 2: *Has the staff identified and focused on the appropriate differential factors between private companies and public companies (see paragraphs DF1–DF13)? If it has 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.*

Response: We believe that the staff has identified and focused on the appropriate differential factors between private companies and public companies. However, we also noted that paragraph BR18 intimates the importance of the stewardship objective of financial reporting which has been effectively excluded from SFAC 8 in favor of the investment objective. We believe that this distinction is important and deserves explicit consideration in a framework for evaluating financial accounting and reporting guidance for private companies.

Question 3: *Overall, do the staff recommendations 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? If they do not, what improvements can be made to achieve those objectives?*

Response: We agree the recommendations 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: *Do you agree that private companies that apply industry-specific accounting guidance generally should follow the same industry-specific guidance that public companies are required to follow because of the presumption that guidance is relevant to financial statement users of both public companies and private companies operating in those industries? If not, why?*

Response: We agree that private companies that apply industry-specific accounting guidance generally should follow the same industry-specific guidance that public companies are required to follow.

Question 5: *Do the different areas of the framework 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 area of the framework appropriately describe the red-flag approach often used by users when reviewing private company financial statements (see paragraphs BR43 and BR44)? If not, why?*

Response: We believe that the different areas of the framework appropriately describe and consider the primary informational needs of users of private company financial statements and the ability of those users to access management. However, we do not believe that the disclosure area of the framework adequately describes the *red-flag approach*. While we generally support a reduction in mandatory and extensive note disclosures, we would ask for more guidance on determining when and how disclosures could be reduced.

Question 6: *Has the staff identified the appropriate questions for the Board and the PCC to consider in the recognition and measurement area of the framework (see paragraphs 1.5 and 1.6)? If it has not, why, and what additional factors should be considered?*

Response: We generally agree that the staff has identified the appropriate questions in the recognition and measurement area of the framework. However, we are making the following recommendations:

1. Questions 1.5(f), 1.5(g) and 1.5(h) appear to be too focused or specific to be appropriate in a “framework” and should be generalized in a manner that leverages the significant differential factors of private company financial reporting already identified (e.g. a question regarding general investment strategies).
2. Any private company reporting exceptions or modifications for recognition and measurement should be considered when access to management can *supplement* the objective of the guidance, but should never be assumed to reasonably satisfy the objective of the guidance. Question 1.5(i) should be modified to reflect that consideration.

3. Question 1.5(j) appears to be irrelevant. Paragraph BR26 does not provide adequate support for its relevance and given modifications to effective date and transition guidance, private company reporting exceptions or modifications should not impact the timely preparation or delivery of financial statements.

Question 7: *Has the staff identified the appropriate areas of disclosure focus by private company financial statement users for the Board and the PCC to consider (see paragraph 2.8)? If it has not, why, and what additional areas of disclosure focus should be considered?*

Response: We generally agree that the staff has identified the appropriate areas of disclosure focus; however, we are making the following recommendations:

1. The staff should add a caveat for industry-specific disclosures within the disclosure for significant accounting policies.
2. The staff should reconsider the use of the word “material” in items 2.8(h) and 2.8(j), as this term may be misinterpreted by various constituents.
3. The staff should consolidate or rephrase the numerous references to disclosures effecting “cash flows” and “future cash flows” in items 2.8(a), (c), (d), (g), and (m). Perhaps these could be combined into one or two general statements about cash flows.
4. The staff should be clear on item 2.8(l) whether they are referring to qualitative or quantitative, or both types of information.

Question 8: *Do you agree that, generally, private companies should apply the same display guidance as public companies? If not, why?*

Response: We agree that private companies should apply the same display guidance as public companies.

Question 9: *Do you agree that, generally, private companies should be provided a one-year deferral beyond the first annual period required for public companies to adopt new guidance? If private companies are provided a deferred effective date, do you agree that a private company should have the option to adopt the amendments before the deferred effective date for private companies but no earlier than the required or permitted date for public companies? If not, why?*

Response: We agree that, generally, private companies should be provided a one-year deferral beyond the first annual period required for public companies to adopt new guidance. We also agree that private companies should have the option to adopt the amendments before the deferred effective date for private companies but no earlier than the required or permitted date for public companies.

Question 10: *Do you agree with the staff recommendation that some circumstances may warrant consideration of different transition methods for private companies? If not, why? If yes,*

has the staff identified the appropriate considerations for the Board and the PCC to evaluate? If not, what additional factors should be considered?

Response: We agree that, generally, some circumstances may warrant consideration of different transition methods for private companies, with the following additional considerations:

1. We believe there should be more flexibility in the requirement for disclosure of the quantitative information provided in the reasons for applying an alternative transition method. During the application of new guidance there may be circumstances that require extraordinary, onerous, or costly determinations of the quantitative amounts. The burden imposed in the determination of quantitative information may rely on complex calculations, outside parties, or present a significant cost burden for the preparer. In addition, the determination, in itself, might be detracting from the usefulness of the comparative data. In these instances, it would be better to simply disclose that the quantitative information could not be determined as of the report date due to onerous or extraordinary circumstances, with reference to the specific circumstance (e.g. actuarial studies, valuations, reliance on third-party data, etc.).
2. We would also like to recommend that the PCC establish and present a timetable for determining the transition methods for applying guidance. Will the determinations be made in tandem with the Board's issuance of new guidance, or afterward?

Question 11: *Do you agree with the basis for the Board's tentative decisions reached to date about which types of companies should be included in the scope of the framework (see paragraphs B8–B23 in Appendix B)? If not, why?*

Response: We agree with the basis of the Board's tentative decisions reached to date about which types of companies should be included in the scope of the framework.

Question 12: *Are there other types of entities that you believe the Board should specifically consider when determining which types of companies should be included in the scope of the framework (see paragraphs B6 and B7 in Appendix B)? If yes, please explain.*

Response: There are no other types of entities that we believe the Board should specifically consider.

Question 13(a): *Do you think that a private company that elects to apply any difference in recognition or measurement guidance should be required to apply all existing and future differences in recognition and measurement guidance? Please explain your response, including how you separately considered the benefits to preparers of private company financial statements and the effect on users of private company financial statements.*

Response: We would support the ability of a private company to elect to apply any difference in recognition or measurement without the requirement to apply all existing and future differences in recognition and measurement guidance. As the Invitation to Comment suggests, preparers should be concerned “about being required to make an initial commitment to apply all future differences permitted under the framework without knowing the nature or volume of the recognition and measurement differences that the Board and the PCC may ultimately provide”. Paragraph DF1 further acknowledges the “large number and varied characteristics of companies that prepare financial statements ... and the different needs of their stakeholders”. Therefore, an all or nothing approach may instead limit the ability of preparers to provide useful and relevant information to its users.

However, allowing private companies the option of applying some, none, or all of the permitted differences reinforces the need for a preparer that applies differences in recognition or measurement guidance to be required to disclose that fact prominently in the notes to the financial statements. This will help users of its financial statements understand that one or more areas of the company’s financial statements are not presented on a comparable basis with those of public companies, as suggested in paragraph 1.10.

Question 13(b): *b. Do you think that a private company should have the option to choose which differences it applies in all other areas of the framework (disclosure, display, effective date, and transition method)? Please explain your response to the extent that you considered the benefits to preparers and the effect on users differently than you described in your response to Question 13(a).*

Response: We would support the ability of a private company to have the option of applying some, none, or all of the permitted differences in all other areas of the framework with the same considerations noted in our response to Question 13(a).