

November 14, 2012

Susan M. Cospers, Technical Director
Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, Connecticut 06856-5116

sent via email to director@fasb.org

Re: Discussion Paper, *Private Company Decision-Making Framework: A Framework for Evaluating Financial Accounting and Reporting Guidance for Private Companies* (File Reference No. 2012-230)

Dear Ms. Cospers:

Arthur F. Bell, Jr. & Associates, L.L.C. is a Certified Public Accounting firm which conducts audits of approximately 200 investment funds (“hedge funds”) and provides audit, attestation, tax, consulting and other services to related entities, including investment advisers. Our firm is a Registered Public Accounting Firm with the Public Company Accounting Oversight Board. The alternative investment industry has been our niche since the firm’s inception in 1974. Our client base consists primarily of investment funds that are deemed to be non-issuers. This comment letter is therefore limited to observations from the perspective of non-issuer investment funds. Those that work with private companies in other industries may have differing opinions which we respect.

We appreciate the opportunity to comment on the Discussion Paper of the proposed Private Company Decision-Making Framework: A Framework for Evaluating Financial Accounting and Reporting Guidance for Private Companies. We support the Board’s efforts in developing a decision making framework for the FASB and PCC to use in determining when and how much relief to provide to private companies from the requirements of US GAAP. Our general comments are below:

Recognition and Measurement

Differences in recognition and measurement should ideally be kept to a minimum between private and public companies unless the FASB wishes to create “big GAAP” and “little GAAP.” We are generally in favor of a single GAAP structure as the comparability of financial statements between similar companies operating in similar industries is critical but we also acknowledge that the FASB may wish to re-evaluate the cost/benefit analysis of certain existing GAAP requirements relative to private companies. Examples might include:

- a. **Accounting for stock-based compensation:** particularly in situations where employees pay for the shares and existing GAAP might result in liability versus equity treatment.
- b. **Consolidation requirements:** this is a major area of focus with our client base in which sponsors of investment funds may be required to consolidate some or all of their investment funds resulting in a financial statement presentation that is less meaningful to the users of the sponsor entity’s financial statements.
- c. **Accounting for uncertain tax positions:** from the perspective of our client base the recognition and measurement thresholds for uncertain tax positions can result in liabilities being recognized in the financial statements of the investment funds. Given the “more likely than not” threshold for recognizing the liability, it creates issues if a fund decides to terminate operations and refund to its investors any remaining net assets. How is this uncertain tax liability to be handled if the fund terminates prior to any ultimate resolution of the uncertainty?

We suggest that private companies be provided disclosure and transition relief rather than any wholesale differences in recognition or measurement standards. Should a private company desire to indicate the effects of voluntary adoption of public company recognition or measurement standards, perhaps the best result would be to disclose those effects in the notes to the financial statements rather than reflecting them in the financial statements themselves.

Disclosure Requirements

The focus of the framework should ideally be re-evaluating the disclosure requirements on private companies to ensure there is an effective balancing of cost/benefit of the disclosure requirements. There has been discussion of “disclosure overload” for many years but the disclosure requirements have only increased. In addition, private companies should be given relief with respect to transition of any new standards to allow more time for their more limited staff to understand, evaluate, and develop a time frame for compliance.

Industry Specific Guidance

We generally believe that industry specific guidance should be applied equally for private and public companies for comparability purposes. This view is predicated on the fact that such industry specific guidance has been developed in specific recognition of the needs of the users of the financial statements in that particular industry.

We appreciate the opportunity to comment and would be glad to further discuss our comments with you at your convenience. If you have any questions or desire any additional information with respect to our comments, please do not hesitate to contact me at 410-771-0001 or via email at caroline.jiang@arthurbellcpas.com.

Sincerely,

A handwritten signature in cursive script that reads "Caroline Jiang".

Caroline Jiang, Accounting Research Manager
Arthur F. Bell, Jr. & Associates, L.L.C.