May 4, 2015

Financial Accounting Foundation
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116
Via email to: PCCReview@f-a-f.org

RE: Three Year Review of the Private Company Council – request for comment

To The Trustees of the Financial Accounting Foundation,

The Accounting and Auditing Standards Interest Group of the New Jersey Society of Certified Public Accountants (NJCPA) is pleased to offer its comments on the above referenced request for comment. The NJCPA represents over 15,000 certified public accountants and prospective CPA’s. The comments herein represent those of some of the individuals of our Accounting and Auditing Standards Interest Group only and do not necessarily reflect the views of all members of the NJCPA.

We appreciate the opportunity to comment on the three year review of the Private Company Council (PCC) concerning its effectiveness, accomplishments, and its future involvement with accounting standards for private companies.

Overall Assessment

Generally, we strongly support the PCC and its efforts to date. We believe that the PCC has been successful, is fulfilling its mission and primary objectives, and is making good progress towards addressing accounting and financial reporting issues that are important to private companies. However, its work is not finished. We believe that the PCC should continue in, and seek to have more of a prominent role in standard setting for private companies. Therefore, we do not support a reduction in its role and responsibilities at this time. We believe that a diminishment of its role and authority could ultimately have the effect of not supporting, enhancing and strengthening quality in accounting standard setting for all entities.

With regards to specific questions:

Question 1:
A primary responsibility of the PCC has been to review and propose GAAP alternatives that will sufficiently address the needs of users of private company financial statements. Do you believe that the PCC has been successful in proposing alternatives within GAAP that address the needs of users of private company financial statements? Please elaborate.
We believe that the PCC has been somewhat successful in proposing alternatives. The PCC started out fast, but since has appeared to have slowed down in terms of the pace of the release of its proposals. Please refer to our response in Question 2 for our suggestions for future areas of focus. We particularly appreciate the fact that these accounting alternatives, when applied, produce financial statements that are in accordance with US GAAP.

**Question 2:**
*Do you believe the PCC’s review of areas of existing GAAP that require reconsideration for private companies (referred to as the “look back” phase) is complete or almost complete? Please elaborate on what will indicate that the look-back phase (for existing GAAP) is complete.*

We do not believe that the look back phase is near completion. There are additional areas that private companies still struggle with in order to comply with current US GAAP. For example, fair value measurements, deferred income taxes, complex debt and equity issuances, stock-based compensation, defined benefit pension plans, and comprehensive income are areas where private company alternatives could be considered by the PCC. Even if new ASU’s are not issued as a result of the PCC’s review, additional implementation guidance, or practical expedients, as it relates to private companies would be valuable. Lastly, we recommend that when the Financial Accounting Foundation (FAF) believes the look-back phase (for existing GAAP) is complete they solicit feedback through a comment letter such as this one.

**Question 3:**
*Another key responsibility for the PCC is to serve as FASB’s primary advisory body on the appropriate treatment for private companies on issues that the FASB is actively considering. Do you believe that the PCC has been effective in assisting the FASB in its standard-setting process for active projects? Please explain.*

We believe the PCC has been effective in their vitally important role. However, we recommend that the PCC have more than just an advisory role, perhaps as an active partner, with regards to issues that the FASB is actively considering. Ideally, PCC alternatives should be released for comment at the same time FASB proposals for all entity types are released for comment.

**Question 4:**
*What improvements, if any, are needed to ensure the PCC is an effective advisory body to the FASB on issues that the FASB is actively considering?*

In order for the PCC to remain effective in any capacity it must consist of members that are actively involved in private company reporting and auditing/reviewing/compiling, along with users of private company financial statements. The PCC needs to elevate its profile to the accounting profession and users. This will enhance its outreach efforts, and harvesting of feedback from preparers and users. Unfortunately many accounting professionals and users of private company financial statements are still unaware of the existence and purpose of the PCC.
Additionally, we suggest that the FAF consider expanding the PCC’s role to include the ability to address issues relating to items under active consideration on the FASB agenda. This will eliminate the need for “looking back” to make improvements. Ideally, US GAAP alternatives for private companies should be addressed, and proposals released for comment, at the same time they are addressed by the FASB.

**Question 5:**
*Since the establishment of the PCC, do you believe that the FASB has been appropriately responsive to the needs of private companies and the recommendations from the PCC?*

Yes. We have seen improvement in this area due to the creation of the PCC. We are pleased with the FASB’s responsiveness to the recommendations from the PCC.

**Question 6:**
*Do you believe that further changes to the standard-setting process for private companies are warranted? Please elaborate.*

Yes. As discussed above in our responses to Questions 2, 3 and 4, we believe that there are additional areas for improvement, and the PCC should have a more active role in addressing the impact of FASB agenda items on private entities.

**Question 7:**
*Do you have any suggestions regarding changes to the size, composition, term length, or responsibilities of the PCC?*

As discussed above, the PCC should be composed of members serving private companies and users of private company financial statements. We have no comment on the other matters.

**Question 8:**
*When the Trustees established the PCC in 2012, the Trustees envisioned that their existing Standard-Setting Process Oversight Committee would assume the oversight responsibilities for the PCC after three years. Is there a reason that the Standard-Setting Process Oversight Committee should not assume those responsibilities in 2016?*

As discussed above, we believe that the PCC is still needed, and accordingly, its oversight should not be transferred to another body nor diminished at this time. We are concerned that the PCC’s contributions may be diluted if the structure is changed.

**Question 9:**
*What is your reaction to the possible improvements included in the prior section?*

We do not support the Standard-Setting Process Oversight Committee assuming the oversight of the PCC.
Question 10:
What other improvements to the PCC or its process would you suggest?

We have no further comments except as noted above.

We thank you for the opportunity to comment. We believe that the PCC is playing an important role in addressing the financial reporting issues for private companies, it has made valuable contributions, and that the FAF should continue to provide its support of the PCC in its present configuration.

We are available to discuss our comments at your convenience.

Respectfully submitted,

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New Jersey Society of Certified Public Accountants

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