May 11, 2015

Board of Trustees
Financial Accounting Foundation
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: Request for Comment, Three-Year Review of the Private Company Council

The Board of Trustees of the Financial Accounting Foundation (FAF) issued a Request for Comment for stakeholders to provide an assessment of the Private Company Council’s (PCC) effectiveness, accomplishments and future role in setting standards for private companies. EisnerAmper LLP appreciates the opportunity to provide our overall assessment of the PCC.

As a large regional accounting firm who audits both publicly-traded as well as privately-owned companies, we want to thank the FAF for their commitment to understand the differing needs of privately-owned entities. We remain very supportive of the PCC and its current structure. Historically, the accounting standards were focused on the needs of large publicly-traded companies, their users and auditors and now with the establishment of the PCC, there is a body that represents a large block of companies previously not fully represented.

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 relatively successful in its short duration as demonstrated by the issuance of four standards for the more challenging accounting issues facing privately-owned companies. There are other matters that the PCC has been or should be considering in the future.

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 believe that the PCC has considered many of the challenging areas in GAAP for private companies that required consideration but there are other matters (liabilities versus equity transactions, stock-based compensation, fair value etc.) that still need to be considered.

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.

Yes, we believe that the PCC as FASB’s primary advisory body has been effective in assisting FASB.

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?

The PCC is composed of preparers, users and auditors but still needs to develop separate task forces for outreach to the user, preparer and audit communities beyond those members on the PCC.
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?

We believe that the FASB has been appropriately responsive to the needs of private companies and 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.

We do not believe that further changes to the standard-setting process for private companies are warranted but we still believe that there are other matters as mentioned in Question 2 that need to be addressed by PCC and FASB.

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

We have no other suggestions.

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?

We believe that the PCC has been successful in its first three years and that the Standard-Setting Process Oversight Committee should not assume the oversight responsibilities for the PCC.

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

We strongly believe that the PCC should continue to serve as FASB’s primary advisory on the appropriate treatment for privately-held companies.

Question 10: What other improvements to the PCC or its process would you suggest?

We believe that the process is working quite well and would not suggest any other improvements.

In conclusion, we have experienced several of our privately-held companies early adopting some of the alternatives established by the PCC. These companies have appreciated the lesser challenging alternatives. However, some privately-held companies contemplating “going public” may not adopt the PCC alternatives due to the differing treatment for public and private companies. We believe that there are still other accounting alternatives that the PCC should consider as mentioned in Question 2 above and we strongly suggest that the PCC remain as FASB’s primary advisory for private companies.

Very truly yours,

EISNERAMPER LLP

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