August 20, 2012

Technical Director
File Reference No. 2012-230
FASB
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Submitted as attachment via email to director@fasb.org

The purpose of this communication is to respond to the “Invitation to Comment” (Invitation), issued July 31, 2012, by the “Financial Accounting Standards Board” (Board) related to the Private Company Decision-Making Framework, specifically “A Framework for Evaluating Financial Accounting and Reporting Guidance for Private Companies.” These comments are offered in the format recommended in the Invitation. I offer these comments with great respect and appreciation of the work of the Board.

**Question 1:** I am a financial statement preparer, user, and Certified Public Accountant. I am responding as an individual that is a member of a CPA firm (9 partners and 30 CPAs), a participant in numerous committees of the North Carolina Association of Certified Public Accountants, the NC State Board of Certified Public Accountant Examiners, the AICPA, and NASBA. As a preparer, I prepare financial statements for private companies and non-profit organizations.

**Question 2:** Staff has identified and focused on the appropriate differential factors between private companies and public companies. I have one comment regarding the differential factors. This comment relates to my personal observation and suggestion of believing “education” should be specifically documented in “V. Accounting Resources.” I do believe it is staff’s belief “education” is included in “Accounting Resources.” I simply believe it should be specifically documented that smaller/private companies are also limited in the educational resources they have available.

**Question 3:** Staff has made recommendations that will result in a framework that would lead to decisions that will provide relevant information to users of private company financial statements in a more cost-effective manner. If anything, the recommendations may be too cost-effective for users of private company financial statements. In later comments I will specifically address my concern in this regard.

**Question 4:** Without any qualification, I agree that private companies who apply industry-specific accounting guidance should generally follow the same industry-specific guidance that public companies are required to follow because that guidance is indeed relevant to those financial statement users of both private and public companies operating in the same industries. The complications for users if industry-specific guidance was applied differently for private and public companies in the same industry would be extremely difficult to apply for those users.

**Question 5:** I do not agree with the concept of the “red flag approach” for users to read, understand, and be required to create additional dialogue between the users of financial statements and management responsible for the same financial statements. I do not see how fair and consistent application of such an approach as the “red flag approach” can be anticipated and the user’s conclusion and/or resulting action would in fact be applied.
Question 6: While there could certainly be additional appropriate questions identified relevant to recognition and measurement of the framework, I do not think the time and effort to develop additional questions relevant to recognition and measurement of the framework would be cost effective. I believe staff has identified the appropriate questions for the Board and the Private Companies Council (PCC) to consider regarding the recognition and measurement of the framework.

Question 7: My comment regarding if staff has identified the appropriate areas of disclosure focus by private company financial statement users mirrors my comment regarding staff’s identification of the appropriate questions relevant to recognition and measurement area of the framework.

Question 8: My response to this question is one word - absolutely. I cannot think through the confusion or the results by users if private companies used a display that would not be consistent to or with the display used by public companies.

Question 9: I agree only generally should there be a one-year deferral. When there is a need for immediate and consistent application for both private and public companies to adopt new guidance, there should be no deferral period for private companies. I do agree private companies should have the option to adopt the amendments before the deferred effective date, but no earlier than the required or permitted date for public companies.

Question 10: I agree with the staff recommendation that some circumstances may warrant consideration of different transition methods for private companies. I agree staff has identified the appropriate considerations for the Board and the PCC to evaluate.

Question 11: I 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.

Question 12: I do not believe there are other types of entities the Board should consider in determining the types of companies that should be included in the scope of the framework.

Question 13(a): I think a private company that elects to apply any difference in recognition or measurement guidance should be allowed to apply the option of applying some, none, or all of the permitted differences in disclosure, display, effective date, and transition method guidance. The possibility of differences being applied within the guidance in the codification exists today. Certainly, adequate and consistent disclosure would overcome any confusion that some preparers would be created. As well, to require application for future differences without knowledge of what those differences are would not be fair or provide for a fair evaluation of the application of those future differences.

Question 13(b): I think 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). My response to this question is in accordance my response offered in 13(a).

Your work is valuable to all stakeholders using, preparing, and reporting on the financial statements of private companies. As well, your time and consideration of the comments offered here are appreciated.

Respectfully submitted,

Arthur M. Winstead, Jr.