June 20, 2013

Technical Director, File Reference No. 2013-250  
Financial Accounting Standards Board  
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PO Box 5116  
Norwalk, Connecticut 06856-5116

Sent via e-mail to director@fasb.org

Sensiba San Filippo LLP is pleased to have the opportunity to respond to the FASB’s Invitation to Comment on Private Company Decision-Making Framework: A Guide for Evaluating Financial Accounting and Reporting for Private Companies issued on April 15, 2013.

We understand the unique needs of users of private company financial statements and would like to commend the FASB for taking on this project. Opportunities to reduce the cost and complexity of preparing private company financial statements in accordance with U.S. GAAP are of great interest to our clients. Overall, we agree with the changes proposed in this Invitation to Comment with a few minor exceptions. The first is related to the consideration of confidentiality of private company information as discussed in our response to Question 2. The second is related to the industry specific guidance for disclosures as discussed in our response to Question 4. Additionally, we provide additional insight to the process of selecting alternatives in Question 7.

Below is our response to the questions in your Invitation to Comment.

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

**Response:** Sensiba San Filippo (www.ssfilp.com) is a public accounting firm serving middle-market companies in the San Francisco Bay Area, the majority of which are privately held corporations. We have 15 partners and approximately 90 employees. We perform a full range of assurance and tax services as well as periodic bookkeeping services subject to the compilation standards.

**Question 2:** Do you agree that this guide is based on the appropriate differential factors between private companies and public companies? If 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 agree that the six differential factors addressed by the framework are the key differences we see in our clients – users, access, ROI, tax considerations, accounting resources, and CPE timing. We believe, however, another critical factor that differentiates private and public companies is their need for confidentiality. While public companies certainly have concerns about disclosing too much information such that a competitor might gain an advantage, the sheer size of their business (often consolidated with other unrelated businesses) makes it much harder for their competitor to capitalize on the information disclosed.

Private companies on the other hand often deal with limited customers and suppliers, and have fewer commitments and contingencies, thus making their disclosures more insightful. For example, users such as the US Treasury in an IRS audit could gain a significant advantage where these private companies have a limited number of uncertain tax positions as compared to their public company counterparts. The Board and the PCC should consider how relevant information is to the typical user and whether that user can access management for that same information, rather than having it disclosed in the notes.

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Question 3: Overall, do you agree that this guide would lead to decisions that provide relevant information to users of private company financial statements in a more cost-effective manner? If it does not, what improvements can be made to achieve those objectives?

Response: If the Board and PCC ask the questions outlined in 1.5 and 1.6, it appears that more cost effective decisions and relevant information will result. We agree with the position taken in 1.7 regarding the weighting on the questions related to relevance and cost effectiveness.

Question 4: With respect to industry-specific guidance:

a. Do you agree that this guide appropriately considers industry-specific accounting guidance for private companies? That is, should private companies follow the same industry-specific guidance that public companies are required to follow in instances in which the Board and the PCC determine that the guidance is relevant to financial statement users of both public companies and private companies operating in those industries? If not, why?

b. Do you think factors other than user relevance, such as cost and complexity, should be considered when the Board and the PCC are determining whether or not to provide alternatives within industry-specific guidance?

c. Do you think that industry-specific accounting considerations should be different between (i) recognition and measurement and (ii) disclosure?

Response: We believe that, for the most part, industry-specific guidance should be followed in the same manner by both public and private companies primarily due to the common relevance to the users. This is true for recognition and measurement in particular for purposes of comparison.

We do feel, however, that industry-specific accounting considerations should be different for disclosure purposes, and that there can and should be exceptions when the benefit to the volume or complexity of disclosures related to some specific guidance would not outweigh the cost in providing this information. Given that there are typically a limited number of users of private company financial statements whom generally have access to management, the kind of information that may be required to be disclosed based on industry specific guidance could be accessed by users of private company financials by other means than the footnotes. As long as the footnotes disclose enough information to create a “red flag”, users could obtain further details related to these matters. Reducing the volume and complexity of disclosures should provide information to users of private company financial statements in a more cost effective manner.

Question 5: Do the different sections of this guide appropriately describe and consider the primary information needs of users of private company financial statement and the ability of those users to access management, and does the disclosure section appropriately describe the red-flag approach often used by users when reviewing private company financial statements? If not, why?

Response: The framework appropriately addresses the most common users of private company financial statements and their specific concerns regarding access to information that facilitates their investing and financing decisions. We believe that the “red flag approach” is widely used by most common private company financial statement users. While certain users, such as insurance providers, may not access management as frequently as lenders and investors, they still have the ability to do so thus we believe more extensive disclosures are not warranted. The framework should ensure that disclosures are detailed enough to allow a less frequent user to identify “red flags” while ensuring confidential information is protected from unauthorized users.
Question 6: Paragraph 1.5 includes the following questions for the Board and the PCC to consider in the recognition and measurement area of the guide:

1.5(e) Does the guidance require that the threshold for recognizing or measuring a transaction or event be at least probable of occurring?

1.5(h) Is it likely that users that are interested in the transaction, event, or balance can obtain information directly from management that can reasonably satisfy the objective of the guidance?

1.5(l) Is the lag between the year-end reporting date and the date financial statements are issued and made available to users likely to significantly dilute the relevance of the information resulting from the guidance?

Do you believe that the questions listed above are necessary for considering alternatives for private companies within recognition and measurement guidance? Or are the other questions in paragraph 1.5 sufficient for considering when alternative recognition and measurement guidance is appropriate for private companies within U.S. GAAP?

Response: We believe that the questions listed above are necessary for consideration of alternatives for private companies, as they consider the likelihood, timeliness, and relevance of specific transactions or events in determining whether certain alternatives within recognition and measurement guidance are applicable and appropriate.

Question 7: Do you agree that a private company generally should be eligible to select the alternatives within recognition or measurement guidance that it deems appropriate to apply without being required to apply all alternatives available to private companies within recognition and measurement? Do you agree that, in certain circumstances, the Board and the PCC may link eligibility for application of alternatives within recognition or measurement in one area to the application in another area? If not, why?

Response: We believe that a private company should be eligible to select alternatives within recognition or measurement guidance that it deems appropriate to apply without being required to apply all alternatives available to private companies, given that there is adequate disclosure regarding why certain alternatives were or were not selected. We also believe that alternatives for recognition or measurement should not be available for selection if choosing one alternative over another will materially impact the company's financial position.

Additionally, we agree that in certain circumstances, the Board and the PCC may link eligibility for application of alternatives within recognition or measurement in one area to the application in another, in order to ensure consistency where it is relevant. As an example, if a private company measures its investments at fair value, it should apply fair value measurement in all other areas as provided by GAAP. Measuring otherwise would provide for inconsistency across different balance sheet components as well as create opportunities for manipulation of the financial statements.

Thank you for your consideration of our comments. You may contact Karen Burns at 925-271-8700 or kburns@ssflp.com for any clarification or questions you may have regarding the above comments.

Sensiba San Filippo LLP

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