June 21, 2013

Financial Accounting Standards Board
Technical Director, File Reference No 2013-250
401 Merritt 7, P.O. Box 5116
Norwalk, CT 06856-5116

Via e-mail to: Director@fasb.org

RE: INVITATION TO COMMENT ISSUED APRIL 15, 2013 — PRIVATE COMPANY DECISION — MAKING FRAMEWORK

Ladies and Gentlemen:

The Accounting Principles and Auditing Procedures Committee ("Committee") is the senior technical committee of the Massachusetts Society of Certified Public Accountants. The Committee consists of members who are affiliated with public accounting firms of various sizes as well as members in both industry and academia. The Committee has reviewed and discussed the above-mentioned Invitation to Comment. The views expressed in this comment letter are solely those of the Committee and do not reflect the views of the organizations with which the Committee members are affiliated.

The Committee is supportive of the work of the FASB. The Committee is particularly supportive of the Private Company Council and very interest in fostering the possible success of the Council since the great majority of the members of the Committee represent small and medium sized entities.

Question 1

Please describe the individual or organization responding to this Invitation to Comment.

a. Please indicate whether you are a financial statement preparer, user, or public accountant, or if you are a different type of stakeholder, please specify. Please indicate if you are both a preparer and a user of financial statements.
Response to Question 1

The Massachusetts Society of CPAs’ Accounting Principles and Auditing Procedures Committee as detailed above is made up of diverse both public and industry members. The Committee members are involved both in public accounting as preparers of financial statement and in industry as both preparers and users of financial statements.

Question 2

Do you agree that this guide is based on the appropriate differential factors between private companies and public companies?

Response to Question 2

The Committee generally agrees that the proposed framework has identified many of the differential factors between the majority of public and private companies.

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 to Question 3

The Committee does not whole heartedly agree that this guide will lead to decisions that provide relevant information in a more cost-effective manner. Any modification to the recognition and measurement guidance as applied to private companies will have a cost. It is the Committee’s strong belief that the cost of implementing these modifications should receive significant consideration when it outweighs the benefit of added relevance.

The Committee is concerned that the framework for further consideration in paragraph 1.7 sets forth that relevance to users should have greater weight than cost and complexity. Although the paragraph does state cost and complexity are significant, the Committee believes that cost and complexity should have an equal or very close to equal weight in deciding on further consideration.

The Committee does not believe that the justification for weighing cost and complexity less than relevance is properly addressed in the framework.
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 to Question 4

a. The Committee believes that private companies should follow the same industry-specific guidance. However the Committee stresses that relevance to users, cost of implementation, complexity and practical measurements should be factored into all industry-specific considerations.

b. See 4a above

c. No

Question 5

Do the different sections of this guide appropriately describe and consider the primary information needs of users of private company financial statements 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 to Question 5

The Committee does agree that the sections of the Guide appropriately describe and consider the primary information needs of users. The Committee believes there should be more consideration about users' access to management. In the Committee’s experience, loan officers generally have the ability to ask questions of management and to obtain additional information when needed. Outside interest do not have that same relationship. Access to information can be different depending on an entity is closely held or not. When there are larger numbers of investors in a private company,
their informational needs are likely to be more similar to those of public company investors. The Committee believes there should be a balanced approach to consider the level of available access to additional information.

The red-flag approach is properly described in the Framework. The Committee believes that the approach can, and should, be used for investors in all private companies. The Committee however is concerned the level of access to made this approach effective.

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(i) 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 to Question 6

The Committee does believe that the questions listed are necessary. We recommend all question be adopted. The Committee could not come up with any additional questions that should be added.

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 to Question 7

The Committee does agree that private company management should be able to choose specific alternatives it believes are most useful to users of its financial statements without having to choose all alternatives. The Committee believes that there would be no benefit derived from an “all or nothing” approach. The Committee as strongly as it can recommends the PCC maintain its current position that private companies have the ability to select among alternatives that are appropriate and that are most reflective of transactions and information of that entity.

The Committee further agrees that, in certain circumstances, the Board and the PCC could appropriately link eligibility for application of alternatives for recognition or measurement in one area to application in another area.

General comments

The Committee is confused by the Process Flowchart on page 22 of the guide. In the boxes to the right of the third box down there are 3 boxes. The 3 boxes indicate guidance to follow resulting from a yes and a no decision. The Committee is confused what the box in the center of those 3 boxes means and under what decision process one would get to that alternative since it is not labeled as either a yes or a no nor has any labeling at all.

Thank you for allowing us the opportunity to comment on this proposal.

Very truly yours,

Philip B. Pacino, CPA, Chairman
Accounting Principles and Auditing Procedures Committee
Massachusetts Society of Certified Public Accountants