FASB Framework For Private Companies

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Respondent information

Type of entity or individual:

Contact information:

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Questions and responses

1. 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.

I am a financial statement preparer, user, and formerly public accountant. Currently I have no direct interest in private company financial statements but I have in the past and expect to in the future.

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2. If you are a preparer of financial statements, please indicate whether your entity is privately held or publicly held and describe your business and its size. If applicable, describe any relevant prior experience in preparing financial statements for private companies or public companies.

The California Earthquake Authority (CEA) is a government but privately financed and accounted for as an enterprise fund that has followed FASB standards when they did not conflict with GASB. CEA has about 80 employees. Previously I was in public accounting and involved in audits, reviews, and compilations of private companies.

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3. If you are a user of financial statements, please indicate in what capacity (for example, investor or lender) and whether you primarily use financial statements of private companies or both private companies and public companies.

At the CEA we often request current financial statements to assist us in selecting vendors or service providers that respond to our RFPs and RFQs.

4. If you are a public accountant, please describe the size of your firm (in terms of number of partners or other relevant metric) and indicate whether your practice focuses primarily on private companies or both private companies and public companies.

Currently N/A.

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5. Has the staff identified and focused on the appropriate differential factors between private companies and public companies (see paragraphs DF1–DF13)? If it has 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.

Yes.

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6. Overall, do the staff recommendations result in a framework that would lead to decisions that provide relevant information to users of private company financial statements in a more cost-effective manner? If they do not, what improvements can be made to achieve those objectives?

Yes.

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7. Do you agree that private companies that apply industry-specific accounting guidance generally should follow the same industry-specific guidance that public companies are required to follow because of the presumption that guidance is relevant to financial statement users of both public companies and private companies operating in those industries? If not, why?

Yes.

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8. Do the different areas of the framework 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 area of the framework appropriately describe the red-flag approach often used by users when reviewing private company financial statements (see paragraphs BR43 and BR44)? If not, why?

Yes.

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9. Has the staff identified the appropriate questions for the Board and the PCC to consider in the recognition and measurement area of the framework (see paragraphs 1.5 and 1.6)? If it has not, why, and what additional factors should be considered?

Yes.

10. Has the staff identified the appropriate areas of disclosure focus by private company financial statement users for the Board and the PCC to consider (see paragraph 2.8)? If it has not, why, and what additional areas of disclosure focus should be considered?

Yes.

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11. Do you agree that, generally, private companies should apply the same display guidance as public companies? If not, why?

Yes.

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12. Do you agree that, generally, private companies should be provided a one-year deferral beyond the first annual period required for public companies to adopt new guidance? If private companies are provided a deferred effective date, do you agree that a private company should have the option to adopt the amendments before the deferred effective date for private companies but no earlier than the required or permitted date for public companies? If not, why?

Yes. I have been a part of GASB the last several years and I have seen the benefits of providing entities with less resources more time to prepare for new accounting requirements. It is beneficial for both the entity/company and the auditor.

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13. Do you agree with the staff recommendation that some circumstances may warrant consideration of different transition methods for private companies? If not, why? If yes, has the staff identified the appropriate considerations for the Board and the PCC to evaluate? If not, what additional factors should be considered?

Yes and I do believe that staff has identified the appropriate considerations to evaluate.

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14. Do you 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 (see paragraphs B8–B23 in Appendix B)? If not, why?

Yes.

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15. Are there other types of entities that you believe the Board should specifically consider when determining which types of companies should be included in the scope of the framework (see paragraphs B6 and B7 in Appendix B)? If yes, please explain.

No.

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16. Do you think that a private company that elects to apply any difference in recognition or measurement guidance should be required to apply all existing and future differences in recognition and measurement guidance? Please explain your response, including how you separately considered the benefits to preparers of private company financial statements and the effect on users of private company financial statements.

No. I believe that the option should be allowed for the company to select whichever method is best for the users of their financial statements. I do belive that it should be disclosed that all PCC differences have been adopted or that the company has elected some of them. I also believe that the company should disclose all material PCC differences in their financial statements.

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17. Do you think that 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)? Please explain your response to the extent that you considered the benefits to preparers and the effect on users differently than you described in your response to Question 13(a).

Yes but as with the previous question, the company needs to disclose all differences in adopting PCC statements.

Additional comments. Please provide any additional comments on the proposed Update or any comments on this electronic feedback process below.

Other issues that I thought should be addressed in the framework or that need to be quickly addressed by the PCC:

What will be the framework for determining when or in what order to address possible private company differences? How and when will new statements be addressed? Which elements of FASB codification will be addressed first and how will that be determined?

How will the possible transition to IFRS affect the PCC and their decisions?
