



June 20, 2013

Technical Director
File Reference No.2013-250
Private Company Council
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
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Via e-mail to director@fasb.org

Re: Private Company Decision-Making Framework: A Guide for Evaluating Financial Accounting and Reporting for Private Companies

Thank you for the opportunity to comment on the staff discussion paper, Private Company Decision-Making Framework; A Guide for Evaluating Financial Accounting and Reporting for Private Companies (the "Framework").

In general, we support the proposed Framework. We feel that allowing private companies to depart from GAAP in specific instances will be beneficial from a cost perspective, and will reduce some of the more cumbersome reporting requirements. This will allow private companies to focus their efforts on the performance indicators that matter most to their users. Our responses to the "Questions for Respondents" section are attached as Appendix A and expand on our opinion of the Framework.

We appreciate the comment period and the consideration of public comments when finalizing these documents. We feel that allowing public comments is valuable to all users and is a worthwhile endeavor.

Sincerely,

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Appendix A

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

Lamplighter Financial, LLC is a private company that provides outsourced CFO consulting services. All of the firm's clients are privately held.

Question 2: Do you agree that this guide is based on the appropriate differential factors between private companies and public companies (see paragraphs DF1–DF13)? 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.

One other consideration that should be evaluated in defining “Private” and “Public” is company size (as defined by sales, number of shareholders, or number of/type of stakeholders). For example, should a company with annual revenue exceeding \$100B be considered a “Public” company (or a “Large Private” company) for reporting purposes? A private company of this size would have a more robust accounting department and may not face the same burdens and difficulties in reporting that a smaller private company might. Additionally, large private companies may have a larger number of individual investors relying on their financial statements, placing them somewhere between a public company (responsible for reporting to shareholders) and a small private company (responsible for reporting to a handful of investors and their bank).

We agree with the other differential factors between private companies and public companies identified by the staff.

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?

We feel that the staff recommendations will result in more cost effective financial statements. We often encounter situations at our clients where the investors insist on GAAP financials, but to cost to generate them exceeds the benefit that the financial statements users gain. The framework would allow our clients to produce GAAP financial statements while lessening the cost of meeting the same measurement and recognition hurdles necessary for public company GAAP. One example is straight-line and deferred rent; this GAAP concept tends to cause confusion for small private companies and investors, rather than providing additional information for the financial statement users to analyze. A departure from public GAAP would not change the criteria small investors and banks are reviewing, and would decrease the time and cost to produce financial statements.

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?

In general, we agree that the same industry-specific accounting guidance should be applied to private and public companies alike. However, we feel there may be times that exceptions from this rule are necessary, depending on the issue in question. We feel there should be some flexibility with this guideline, rather than applying a blanket policy to all private companies.

We feel that industry specific accounting considerations may be different between (i) recognition and measurement and (ii) disclosure, based on the value of the information provided to the financial statement user. We feel that private companies should be allowed to deviate from the public company disclosures in situations where the additional information may not be useful. We agree with the carved out and red-flag approaches discussed in the Framework, but do not feel that private and public company disclosures need to be identically applied.

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 (see paragraphs BC45 and BC46)? If not, why?

We feel that the framework appropriately describes and considers the primary information needs of private company financial statement users. In general, private company management is more readily available to financial statement users, and we agree with using a red-flag approach for disclosures.

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?



We believe that the questions listed above are appropriate for considering alternatives for private companies within recognition and measurement guidance. We also feel that the other questions in paragraph 1.5 are sufficient for considering when alternative recognition and measurement guidance is 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?

We feel that a private company should have the option to choose which alternatives it applies in all areas of the framework without being required to apply all alternatives. The company should determine which approach is best for their financial statement users and provides the best cost-benefit ratio.

We agree that, in certain circumstances, linking recognition or measurement in one area to eligibility for application of alternatives in another may be necessary.