and disclosures. We believe that the framework could be enhanced if it provided the Board and the Council with clearer direction in this important area.

The questions relating to cost-benefit considerations seem to be relevant to both private and public companies. Thus, they may not be very helpful in determining if differences in recognition and measurement should be provided for private companies. More useful questions may include consideration of the relative costs for private companies to adopt and follow guidance compared to public companies. However, due to the diverse attributes of different companies, we are not confident that such questions can be answered with much reliability.

We agree that when the Board and Council are considering modifications to recognition and measurement guidance, more weight should be placed on the questions relating to relevance of financial information than cost and complexity considerations.

Question 7: Has the staff identified the appropriate areas of disclosure focus by private company financial statement users for the Board and PCC to consider? If it has not, why, and what additional areas of disclosure focus should be considered?

The list of common areas of focus is comprehensive and largely consistent with the list of factors for determining the relevance of financial information when evaluating recognition and measurement differences. We believe that this information is relevant to public and private companies and, accordingly, sets a baseline of disclosure requirements. Similar to our response to Question 6, the framework could be enhanced in this area if it included questions targeted at the unique needs of public company users that are not relevant to typical private company users.

General purpose financial statements are designed to fulfil the needs of a broad set of users. The framework provides that the Board and Council should consider a modification when input from users indicates that a disclosure only has relevance to a narrow set of users. We agree that where disclosure information is determined to be relevant to a broad set of users, modifications should not be permitted. If the Board and Council are able to conclude that a disclosure is only relevant to a narrow set of users, then a disclosure modification should be considered. In making that determination, the Board and Council should be mindful of the cautions we described in our response to Question 5.

Question 8: Do you agree that, generally, private companies should apply the same display guidance as public companies? If not, why?

We agree with the presumption that private and public companies should apply the same display guidance. Because of the highly summarized nature of information required for display purposes, we believe it is unlikely that information deemed by the Board to be relevant enough to be presented on the face of the financial statements by public companies would not also be relevant to users of financial statements of most private companies. Also, information displayed on the face of the financial statements is generally summarized from information that has already been created. Thus, the cost of preparing the information for display is relatively insignificant in relation to the costs of obtaining the information.

Question 9: 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 amendments before the deferred effective date for private companies, but no earlier than the required or permitted date for public companies? If not, why?

Due to differing training cycles and human resource constraints, we agree that, generally, where the Board has provided a short transition period, private companies should be provided a one-year deferral beyond the first annual period required for public companies to adopt new guidance. Where longer transition periods are applicable, a deferral for private companies may not be necessary. Additionally, private companies (when they provide interim information) should not be required to apply the guidance to interim periods in the year of adoption. We also agree that private companies should be permitted to adopt a new standard before the deferred effective date, but not before the effective date for public companies. This option will allow private companies to decide if user needs are better served by adopting the standard earlier than the deferred effective date. It may also reduce cost and complexity for private companies that are subsidiaries of public companies.

Question 10: 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?

We agree that there may be circumstances where a different transition method may be appropriate for private companies. We are supportive of the Board and Council exploring practical expedients, limited or modified retrospective methods, or prospective methods of pwc

transition, where a retrospective method is to be applied by public companies. We believe the Board and Council should have the flexibility to address the appropriate transition method for private companies on a case-by-case basis. The relevance and nature of the financial information impacted by the new accounting and the differentiating factors between public and private companies will provide the basis upon which the transition method should be determined.

Question 11: 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? If not, why?

Yes. However, we recommend there be consistency between the entities within the scope of the framework and the finalized U.S. GAAP definition of a private company. Once the definition of a private company is finalized, the Board may need to revisit the framework to ensure consistency is maintained.

Question 12: 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? If yes, please explain.

We believe that in general the tentative decisions on the definition of a private company are reasonable. However, there may be a few specific situations that require consideration.

For example, under the JOBS Act of 2012, emerging growth companies, as defined, are allowed to follow the transition guidance available to private companies in adopting new accounting standards. Based on the Board’s tentative decisions on the definition of a private company, emerging growth companies would not be considered "private" companies since they file financial statements with a regulatory agency for the purpose of issuing securities publicly. We understand the genesis of this difference. Nevertheless, to be consistent with the Act, clarity from the Board that the transition guidance available to private companies would apply to emerging growth companies may be helpful to avoid confusion.

Additionally, clarification would be useful for determining whether emerging growth companies that file confidentially with the SEC and companies that file voluntarily with the SEC are considered public. We believe they should be considered public. This could be clarified by revising the definition to include those that file, furnish, or “submit” financial statements with or to a regulatory agency for the purpose of issuing securities in a public market or issuing securities that trade in a public market.

Question 13:

a) 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.

We do not believe that a private company that elects to apply a different recognition and measurement method should have to apply all existing and future differences. Our view is based on the fact that the Board did not intend to create separate U.S. GAAP for private companies. Requiring all recognition and measurement guidance to be adopted may, in effect, result in a separate set of U.S. GAAP for private companies.

Additionally, in most cases, the accounting for a transaction that is relevant to the users of public company financial statements will also be relevant to users of private company financial statements. Therefore, we believe that modifications to the recognition and measurement criteria for private companies should be rare and limited to instances where the public and private company financial statement users have clearly different information needs. Since recognition and measurement differences are expected to be rare, and will be accompanied by required accounting policy disclosures, users should not be confused if preparers adopt some modifications for private companies and not others. Thus, we believe that where the Board and Council have determined that an alternative recognition and measurement method is permissible, preparers should have the option to choose which method is most relevant on a case-by-case basis.

This approach would alleviate preparer concerns that they would be required to apply all future private company modifications. As the extent and breadth of future differences is currently unknown, some preparers are concerned that they will not be able to assess the total impact on relevancy of accepting an "*all or nothing"* approach in the first period in which a difference is made available. For this reason, some preparers may be reluctant to adopt the modification; therefore, modifications available to private companies may go underutilized. This would be unfortunate and counter to the Board's and Council's intent to address the needs of private companies.

If the Board and Council move forward with an "*all or nothing*" approach, guidance should be provided for situations when a company desires to change from one approach to the other, e.g., from “all” to “nothing.” Critical to providing this guidance is to address the question whether the "*all or nothing*" approach has created a separate set of U.S. GAAP for private companies.

If the Board determines that the approach does not create a separate set of U.S. GAAP for private companies, current accounting change guidance does not address situations when a company wishes to change its decision to adopt all or none of the modifications arising from the application of a decision framework for standard setting. Currently, accounting change guidance focuses on an individual accounting policy election and whether a change to a different method is preferable. As a result, new guidance would be necessary that focuses not on the preferability of any individual accounting treatment, but on the totality of the current and future expected outcomes of one approach over another and the relative merits of one approach over another.

If it is determined that an "*all or nothing*" approach establishes a separate set of U.S. GAAP for private companies, a change from one approach to another would not represent a change in accounting principle. Rather, it would represent a change in the basis of presentation, which companies are freely permitted to do today. The Board and Council should consider if the freedom to change would be in the best interests of users of private company financial statements.

b) 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 that you describe in your response to Question 13 a).

Consistent with our response to a), we believe that private companies should have the option to elect any or all differences in disclosure, display, effective date, and transition method on a case-by-case basis. Historically, all companies have had the option of disclosing additional information that is considered relevant to their users if it doesn’t contradict other reported information. It would be contrary to this practice to require private companies to provide less disclosure under an *"all or nothing"* approach. Also, prohibiting a private company from following the more rigorous public company effective date and transition provisions under an "*all or nothing*" approach would not be in the best interests of its users.