

NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

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October 31, 2012

Technical Director
File Reference No. 2012-230
Financial Accounting Standards Board
401 Merrit 7, P.O. Box 5116
Norwalk, CT 06856-5116

The purpose of this communication is to respond to the "Invitation to Comment" (Invitation), issued July 31, 2012, by the "Financial Accounting Standards Board" (the Board) related to the Private Company Decision-Making Framework, specifically "A Framework for Evaluating Financial Accounting and Reporting Guidance for Private Companies" on behalf of the North Carolina Association of CPAs (NCACPA.) These comments are offered in the format recommended in the Invitation. We offer these comments with great respect and appreciation of the work of the Board.

Question 1: We are financial statement preparers, users, and Certified Public Accountants in public practice. We are responding on behalf of the members of the North Carolina Association of CPAs — (which includes firms ranging from sole practitioners to Big Four firms). The NCACPA has grown significantly since its inception in 1919, from a mere 20 founding members to more than 13,000 today. The Association's 30+ committees, chapters, task forces, and advisory groups regularly interact with the North Carolina State Board of CPA Examiners, the American Institute of Certified Public Accountants, the Financial Accounting Standards Board, the Internal Revenue Service, and other regulators who shape state and national accounting standards. The Association's leaders and staff are dedicated to monitoring changes within the profession and ensuring members have the resources they need.

As CPAs, we prepare financial statements for both public and private companies in a wide variety of industries.

Question 2: Staff has identified and focused on appropriate differential factors between private companies and public companies.

Question 3: Staff has made recommendations that will result in a framework that would lead to decisions that will provide relevant

information to users of private company financial statements in a more cost-effective manner.

Question 4: We agree that private companies who apply industry-specific accounting guidance should generally follow the same industry-specific guidance that public companies are required to follow because that guidance is indeed relevant to those financial statement users of both private and public companies operating in the same industries. The complications for users, if industry-specific guidance was applied differently for private and public companies in the same industry, would be extremely difficult to apply for those users, particularly with companies often going "back and forth" from public to private and vice-versa.

Question 5: We do not agree with the concept of the "red flag approach" for users to read, understand, and be required to create additional dialogue between users of financial statements and management responsible for the same financial statements. We do not see how a fair and consistent application of such an approach as the "red flag approach" can be anticipated and the user's conclusion and/or resulting action would in fact be applied.

Question 6: While there could certainly be additional appropriate questions identified relevant to recognition and measurement of the framework, we do not think the time and effort to develop additional questions relevant to recognition and measurement of the framework would be cost effective. We believe staff has identified the appropriate questions for the Board and the Private Companies Council (PCC) to consider regarding recognition and measurement of the framework.

Question 7: Our comment regarding whether staff have identified the appropriate areas of disclosure focus by private company financial statement users mirrors our comment regarding staff's identification of appropriate questions relevant to recognition and measurement area of the framework.

Question 8: Our response to this question is one word - absolutely. We cannot think through the confusion or the results if private companies used a display that would not be consistent with the display used by public companies.

Question 9: We agree only generally that there should be a one-year deferral. When there is a need for immediate and consistent application for both private and public companies to adopt new guidance, there should be no deferral period for private companies. We do agree private companies should have the option to adopt the amendments before the deferred effective date,

but no earlier than the required or permitted date for public companies.

Question 10: We agree with staff recommendation that some circumstances may warrant consideration of different transition methods for private companies. We agree staff has identified the appropriate considerations for the Board and the PCC to evaluate.

Question 11: We 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.

Question 12: We do not believe there are other types of entities the Board should consider in determining the types of companies that should be included in the scope of the framework. It is our understanding, according to the Discussion Paper, that you have specifically stated NFPs are excluded from the scope of the private company decision-making framework and that the Board will focus of which types of NFP organizations constitute a non-public entity in a second phase of the project.

Question 13(a): We think a private company that elects to apply any difference in recognition or measurement guidance should be allowed to apply the option of applying some, none, or all of the permitted differences in disclosure, display, effective date, and transition method guidance. The possibility of differences being applied within the guidance in the codification exists today. Certainly, adequate and consistent disclosure requirements would overcome any confusion that some preparers would be creating. In addition, to require application for future differences without knowledge of what those differences are, would not be fair or provide for a fair evaluation of the application of those future differences.

Question 13(b): We think 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). Our response to this question is in accordance with our response offered in 13(a).

Your work is valuable to all stakeholders using, preparing, and reporting on the financial statements of private companies. Your time and consideration of the comments offered here are appreciated.

Respectfully submitted,

Accounting & Attestation Committee