FASB Framework For Private Companies

Date of Entry: 8/3/2012

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 public accountant and my practice area includes assisting clients that are privately held companies preapare their financial statements.

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.

N/A

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.

N/A

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.

Nine partners, 60+ total employees, one office. Our firm has no publicly traded cliets.

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.

DF1 through DF13 accurately reflects the significant differences between public and private companies as it relates to financial reporting.

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

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?

Not necessarily. There still might be specific requirements that might fit the criterion for differential reporting. To make a blanket statement is too broad.

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.

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

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

For the most part, yes.

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?

No. A one-year deferral is too short. Two year is more appropriate. That will allow a fuller fleshed out implemenation and traing process. However even a two year deferral will not result in users being up to speed. Many community bankers have no process for getting GAAP education. It takes many years of contact for individual loan officers to understand changs in GAAP. Boiler plate loan documents complicate the matter further.

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, there may be different transition issues for private companies. Staff has identifed many/most/all of the pertinent issues to consider

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

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.

Can't think of any

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.

To impose a requirement that a privately held company make a one-time decision about apply differetial GAAP ns not a good idea. The unknown of what might be required in the future for publicly traded companies is too big of an unknown. For all of the reasons that there is a current need for private vs public reporting, a future requirement might just be the proverbial straw that breaks the camels back for a private company. There are no opt-out opportunities- they are stuck with publicly traded requirements. Users can require the use of publicly traded GAAP is required as part of their contractual or oversight arrangements with the private issuers.

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).

No, there should be no opt in or out for the individual areas. [This different from currently accepting all future changes.] This coulud result in "cherry picking" to the detriment of the users. Prepares would benefit but the user cost is too hogh.

Additional comments.

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

Electronic feedback- Incorporate basic spell and grammer checking.

I could not go back beyond Question #13 to edit responses after my review of the summary.