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We applaud FASB for moving forward with the Private Company Council (PCC). Generally these guidelines are a step in the right direction on application of GAAP. It is good to see reference to considering costs and benefits as well as providing relevant information at a reasonable cost. However, we do have concerns regarding industry specific guidance.

If the recognition and measurement guidance is implemented in a reasonable way, most of these recommendations would meet the reporting objectives. However, even though the presentation of the flowcharts appears to make this look very scientific, interpretation of the terms is anything but. It seems like it would be very easy to err on public company GAAP applying to all and giving very few opportunities to the PCC to develop private company alternatives. There is no mention of how the decision-making framework would be carried out and whose evaluations would have more weight, FASB or PCC. It is also mentioned several times that no exceptions or modifications will be considered unless input from users indicates that a difference is appropriate. How is this input going to be collected? Would this be based on comments received from an exposure draft? How many comments would be necessary and would FASB listen as much to preparers as they would to third party users? There is minimal incentive for third party users of private company statements to take the time or resources to comment. FASB and the PCC may also want to consider whether it could have a significant effect on decision making. Sometimes information may be nice to have, be more technically or theoretically correct, but in the long run would not make a difference to decisions that would be made. These are the types of things that definitely need to be a justifiable difference for private companies.

We disagree that industry specific accounting guidance should be exempt from this cost/benefit and relevance analysis. Users of private company statements are considerably different from public companies, and to think just because it is industry specific, it is relevant to all is a big concern. A recent example would be the allowance for loan loss disclosures. This would have been exempted from private company consideration for financial institutions, while the resources required to comply provided very little value to many institutions like credit unions.

It does not seem necessary to have different criteria for disclosures than for recognition. It seems that the same thought processes should apply (relevance, cost/benefit). The disclosure considerations should definitely remove the industry specific question. The questions asked in flowchart box 4 almost seem to cover every practical situation, and thus it seems unlikely for much to be allowed an exception or modification. Also, do not make the disclosure requirements for using an alternative method so onerous that it will not be chosen. If it is significant, then yes, the usage of an alternative method should be disclosed. Quantitative disclosures are not necessary or else this could be interpreted to in some way reconcile back to what it would be under a different method.

We agree with the one year rule of thumb for private company deferral. Private companies,

however, should have the option of implementing as early as public companies if so desired. In addition, private companies should have the ability the pick and choose or else the effectiveness of having private company standards will be limited. There could be very valid reasons for implementing some but not others. Accounting rules are not one size fits all, and some companies will be able to comply more easily than others or think that something is more relevant to them than it may be to a similar company. It is not unreasonable to briefly disclose significant choices (just the fact that private company standards were used, not any quantitative information around them).

We applaud FASB for not eliminating the possibility for financial institutions, specifically credit unions, to be considered private companies for financial reporting. The objective of providing relevant information to users of private company financial statements at a reasonable cost is as applicable to financial institutions as it is to other companies. We do, however, feel that this should also apply to industry specific guidance. In certain scenarios, it may be appropriate to exclude financial institutions from using the private company standard, but that should not be a blanket exclusion. Financial institutions are not one size fits all, and it seems ultimately it would be up to the audit firm to determine if the proper accounting method has been chosen.

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