

October 30, 2012

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

Submitted via email to director@fasb.org

Re: File Reference No. 2012-230

Dear Technical Director:

On behalf of the 10,000 members of the Virginia Society of CPAs (VSCPA), we appreciate the opportunity to respond to the "Invitation to Comment" on the Financial Accounting Standards Board's (FASB) Exposure Draft.

We believe it is important to note that the Invitation to Comment (ITC) is the next step in what has been and is likely to remain a lengthy process. The ITC was issued prior to the establishment of the Private Company Council (PCC). Once the PCC begins operations, it seems reasonable to expect that it will revisit the existing framework including soliciting public comments. As such, we feel that the process of establishing a separate basis of accounting for private firms will continue for some time and therefore, this invitation to comment is still fairly preliminary.

We are generally supportive of the provisions of the framework. Following are our responses to the questions for respondents:

Question 1: See introduction.

Question 2: We generally agree that the staff have identified and focused on the appropriate differential factors between private companies and public companies. The first five factors appear appropriate. Regarding factor No. 6, we are concerned that a lack of sufficient up-to-date accounting requirements could present a more significant challenge for private companies to find practical solutions. We do not believe it is a sufficient justification to permit presumably less accurate or less informative information to remain in the private sector investment market.

Question 3: Overall, we feel 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.

Question 4: We agree that private companies which apply industry-specific accounting guidance should follow the same industry-specific guidance that public companies use. Industry-specific accounting is unique and designed to provide users of the financial statements relevant information. We believe consistent application among private and public companies is an important consideration and that consistency in application of industry-specific accounting is an important factor for users of these types of

industry-specific financial statements. Perhaps consideration should be given to allow private companies that prepare industry-specific financial statements to exempt some of non-industry specific standards.

Question 5: We agree that 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 as well as the framework's description of the "red-flag approach" often used by users in reviewing private company financial statements.

However, there is concern with the "red-flag approach," which appears to be vague. We question how effective of an approach it would be to create appropriate additional dialogue between users of financial statements and management. There is concern as to how this could be consistently applied and whether it truly allows users of financial statements to arrive at the same conclusion they would arrive at if there were no exceptions to recognition and measurement, disclosures and displays in the financial statements. For example, what criteria would be used to determine the knowledge the users of the financial statements should or should not have? It would seem less cost effective to first identify the initial exceptions and then to maintain the exception criteria as business transactions change over time.

Question 6: We agree that staff have identified appropriate questions for the Board and PCC to consider in the recognition and measurement of the framework and it may not be cost-beneficial to develop additional questions regarding the matter.

Question 7: We agree that the staff have identified the appropriate areas of disclosure focus by private company financial statement users for the Board and PCC to consider.

Question 8: We agree that, generally, private companies should apply the same display guidance as public companies. Consistent application by both private and public companies should help to minimize the confusion that would take place among the users of the financial statements.

Question 9: We 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 and 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.

Private companies generally do not have the accounting resources that a public company has and as such additional time will help private companies to ensure proper implementation of new standards.

Question 10: We generally agree that the staff recommendation that some circumstances may warrant consideration of different transition methods for private companies and the staff have identified the appropriate considerations for the Board and PCC to evaluate. However, we believe it is important to limit the differences to the extent possible.

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 think consideration should be given to specifically address and define whether a nonprofit organization is a private company or public company for purposes of this proposed framework. Nonprofits do apply what we would consider industry-specific guidance in recognition and measurement. Although nonprofit entities do not have investors they do have donors that support them. Many nonprofits make their annual financial statements available to the public via website or upon request and as such donors make decisions to fund entities at times based on the financial statements. Thus, given this fact one could presume that their financial statements are widely distributed. This is also the case for organizations that receive grants from other nonprofit or governmental agencies.

Question 13a: Overall, we agree that a private company that elects to apply any difference in recognition or measurement guidance should be required to apply all existing differences in recognition and measurement guidance. There is some concern as to committing to apply all future differences in recognition and measurement guidance without the opportunity to evaluate the impact that these may have on the financial statements.

Question 13b: We believe that a private company should have the option to choose which differences it applies in all other areas of the framework with regards to disclosure and display. However, we think there should be consistency applied to effective dates and transition methods so as to minimize confusion to the user of the financial statements.

Again, the VSCPA appreciates the opportunity to respond to this Exposure Draft. Please direct any questions or concerns to VSCPA Government Affairs Director Emily Walker at ewalker@vscpa.com or (804) 612-9428.

Sincerely,



Mike Wagner, CPA, CGFM
Chair

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