

October 31, 2012

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

Sent via e-mail to director@fasb.org

Sensiba San Filippo LLP is pleased to have the opportunity to respond to the FASB's Invitation to Comment on Private Company Decision-Making Framework: A Framework for Evaluating Financial Accounting and Reporting Guidance for Private Companies issued on July 31, 2012.

We understand the unique needs of users of private company financial statements and would like to commend the FASB for taking on this project. Opportunities to reduce the cost and complexity of preparing private company financial statements in accordance with U.S. GAAP are of great interest to our clients. Overall, we agree with the changes proposed in this Invitation to Comment with two minor exceptions. The first is related to the consideration of confidentiality of private company information as discussed in our response to Question 2. The second is related to the industry specific guidance for disclosures as discussed in our response to Question 4.

Below is our response to the questions in your invitation to comment.

Question 1: Please describe the individual or organization responding to this Invitation to Comment.

Response: Sensiba San Filippo (www.ssflp.com) is a public accounting firm serving middle-market companies in the San Francisco Bay Area, the majority of which are privately held corporations. We have 15 partners and approximately 90 employees. We perform a full range of assurance and tax services as well as periodic bookkeeping services subject to the compilation standards.

Question 2: Has the staff identified and focused on the appropriate differential factors between private companies and public companies? 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.

Response: The six differential factors addressed by the framework are the key differences we see in our clients – users, access, ROI, tax considerations, accounting resources, and CPE timing. We believe another critical factor that differentiates private and public companies is their need for confidentiality. While public companies certainly have concerns about disclosing too much information such that a competitor might gain an advantage, the sheer size of their business (often consolidated with other unrelated businesses) makes it much harder for their competitor to capitalize on the information disclosed.

Private companies on the other hand often deal with limited customers and suppliers, and have fewer commitments and contingencies, thus making their disclosures more insightful. For example, users such as the US Treasury in an IRS audit could gain a significant advantage where these private companies have a limited number of uncertain tax positions as compared to their public company counterparts. The Board and the PCC should consider how relevant information is to the typical user and whether that user can access management for that same information, rather than having it disclosed in the notes.

Question 3: 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?

Response: If the Board and PCC ask the questions outlined 1.5 and 1.6, it appears that more cost effective decisions and relevant information will result. We agree with the position taken in 1.7 regarding the weighting on the questions related to relevance and cost effectiveness.

Question 4: 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?

Response: We believe that, for the most part, industry-specific guidance should be followed in the same manner by both public and private companies primarily due to the common relevance to the users. This is true for recognition and measurement in particular. We do feel however that there can and should be exceptions to this when the benefit to the volume of disclosures related to some specific guidance would not outweigh the cost in providing this information.

Given that there are typically a limited number of users of private company financial statements whom generally have access to management, the kind of information that may be required to be disclosed based on industry specific guidance could be accessed by users of private company financials by other means than the footnotes. As long as the footnotes disclose enough information to create a "red flag", users could obtain further details related to these matters.

Question 5: 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? If not, why?

Response: The framework appropriately addresses the most common users of private company financial statements and their specific concerns regarding access to information that facilitates their investing and financing decisions. We believe that the "red flag approach" is widely used by most common private company financial statement users. While certain users, such as insurance providers, may not access management as frequently as lenders and investors, they still have the ability to do so thus we believe more extensive disclosures are not warranted. The framework should ensure that disclosures are detailed enough to allow a less frequent user to identify "red flags" while ensuring confidential information is protected from unauthorized users.

Question 6: Has the staff identified the appropriate questions for the Board and the PCC to consider in the recognition and measurement area of the framework? If it has not, why, and what additional factors should be considered?

Response: We agree that the appropriate questions have been identified by the Board and the PCC.

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?

Response: We agree that the appropriate areas of disclosure have been identified by the Board and the PCC.

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

Response: We agree that private companies should apply the same display guidance as public companies, except in circumstances where such information is not relevant to typical users or where exceptions are already permitted under existing guidance (i.e. EPS). We very much agree with the decision making process outlined in the Process Flowchart at 3.4 in the Invitation to Comment.

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 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?

Response: We agree, since private companies generally have less access to accounting resources internally and externally, implementation of new guidance is often more difficult. In our experience, many of our clients have taken advantage of a one year deferral period in order to leverage disclosures prepared by public companies. The one year deferral period can significantly reduce implementation costs for private companies. We believe early adoption should not be allowed so that private company reporting can be more consistent for users and preparers of financial statements.

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?

Response: Yes, we agree that some consideration is warranted related to transition methods for private companies. In particular, we agree with the list of questions outlined in 5.4. Many of our clients often have difficulty going back in time and recreating information due to system and resource limitations, as you have identified in 5.4 (d). Additionally, we believe that the staff has identified the appropriate considerations for evaluating alternative transition methods by the Board and the PCC.

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?

Response: We agree with the tentative decision reached by the Board defining when an entity is not a private company, as outlined in Appendix B (B6).

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.

Response: We agree with the types of companies the Board has identified to be included in the scope of the framework.

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.

(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 than you described in your response to Questions 13(a).

Response: (a) We believe that all recognition or measurement guidance related to private companies should be applied unilaterally. We believe that private companies should be able to choose either public or private company standards to prepare financial statements. Depending on which framework private companies decide to use to prepare financial statements, they should apply all measurement and recognition guidance within that framework. In addition, private companies should be required to disclose under which framework they decide to report.

Essentially, we believe that applying a framework consistently will ensure a simpler and easier process for preparers of private company financial statements. We believe that this will also increase comparability between companies and more transparent reporting for users of private company financial statements.

(b) We believe that private companies should have the option to choose which differences it applies in all other areas of the framework, particularly disclosure. For example, if modified disclosures were allowed for both stock options and multi employer benefit plans, a construction contractor may determine that multi employer benefit plan disclosures are relevant to its users (i.e. bank and bond companies), but may determine that stock options are less relevant. Therefore, the company should have the option to include enhanced disclosures related to multi employer benefit plans while limiting the stock option disclosures to that which would create a red flag to the user.

Thank you for your consideration of our comments. You may contact Karen Burns at 925-271-8700 or kburns@ssfllp.com for any clarification or questions you may have regarding the above comments.



Sensiba San Filippo LLP