AlaskaUSA Federal Credit Union®

VIA E-MAIL: director@fasb.org

November 1, 2012

Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Gentlepersons:

Re: File Reference No. 2012-230

We appreciate the opportunity to comment on your discussion paper, titled 'Private Company Decision-Making Framework'.

Question 1:

We are both a financial statement preparer and a user. As a preparer, we are a $5 billion federal credit union owned by 460,000 members throughout the United States who, along with regulators, rely on us to provide information about our financial condition. We also have four wholly owned subsidiaries, with a book value of over $57 million, for whom we prepare separate financial statements in accordance with GAAP. As a user, we utilize the services of 1,200 vendors, a large number of whom we scrutinize their financial statements in order to ascertain their financial ability to meet their commitments to us as a customer. The majority of these vendors would fit under the definition of a 'Private Company' as defined in the Framework. As a commercial lender, we also use financial statements submitted by prospective borrowers in our credit evaluation process.

Question 2:

We **do agree** with the staff's general focus on users of financial statements. For the most part, we are in agreement with their conclusions about the differences between users of publically held companies' financial statements and users of nonpublic companies' financial statements. Likewise, we agree that the differences between users of financial statements of publically held entities who we would call 'speculative investors' are quite different than those who use financial statements to determine a business' ability to continue their operations in a financially sound manner and meet obligations to lenders, customers, suppliers, etc.

We **do not agree** with all of the characteristics the staff ascribes to 'private companies.' We would especially point out that many organizations that fall within the definition of ' private companies' are very large organizations and have expertise and resources to deal with the conflicts that arise between the needs of the users of their financial statements and GAAP. We believe strongly that emphasis should remain on the users of the financial statements and not upon the organization. We believe that the staff, by pointing out the different needs of typical users of private vs. public company financial statements, has focused on the correct differential that GAAP should accommodate.

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Although, in the current environment, publically held companies publish or make their financial statements available to the general public, most of the 'speculative investors' to whom their financial statements are directed rely on the analysis of that information by third parties. These third parties are usually brokerage and rating firm analysts upon who the general public relies to condense the meaning of complex financial statements so that they are able draw reliable conclusions. Conversely, users of 'private company' financial statement information seldom if ever use third party experts to interpret and analyze the company's financial statements. For this reason, we believe that it is appropriate to simplify GAAP so that nonprofessional users of 'private company' financial statements are able to draw meaningful conclusions from such statements to meet their business needs. .

Question 4:

We **do not agree** with the presumption that private companies should apply industry-specific accounting guidance that public companies are required to follow. We believe that it is the needs of users of the financial statements that should drive the guidance, not the type of industry. We believe the information the staff presented that is included in the framework clearly points out that needs of financial statement users are different, depending on ownership. There are some instances, regardless of ownership, where the same guidance should be followed, but we would think these areas would generally be covered by the general accounting literature.

For example, we believe that the staff at BR9 appropriately pointed out that: *Many users of private company financial statements indicated they do not focus on fair value measurements of debt instruments and certain derivatives and the related effect of changes in fair value measurements on reported earnings and financial position resulting from changes in market prices that are expected to reverse in the future.* As a depository financial institution, we can see that, because of our ownership structure, the users of our financial statements would not focus on such fair value information, where 'speculative investors' looking at the financial statements of a publically held depository financial institution might place great value on such information.

Question 5:

We **do not agree** that the frame appropriately describes and considers the primary information needs of users of private company financial statements because we believe that the primary users of such financial statements are misidentified. We believe strongly that the groups identified by the staff as having greater access to management tend to rely less on the financial statements than the framework contemplates.

We also think that staff has erred in their assumption in BR 45 that "*some users of private company financial statements, such as regulators, some sureties and agents, and insurance providers, do not regularly interact with management*". We believe a group that exercises some control over a company has all the access to management that they want or require without stipulation by the company. Because of this access, this group does not tend to rely as much on company produced/audited financial statements and should not be considered primary users. We believe that those identified as the primary users should include the largest group of users and include those who have limited access to management, such as employee/owners or cooperative user/owners, suppliers, customers, etc. This group of users are not 'speculative investors,' but are looking to financial statements to see that private companies have the financial wherewithal to meet their obligations and execute their business and operating plans.

Question 8:

We **do not agree** that private companies should apply the same display guidance as public companies. For the same reasons listed in our response to Questions 2, 4 & 5, we believe that the display guidance should be oriented towards the users of the financial statements. Many disclosures and net presentations which are helpful for 'speculative investors' confuse and obscure the information that lenders, especially those making operating loans, and non speculative owners and customers are looking for. For example, disclosures concerning fair market values of off balance sheet items may mislead lenders or others such

that they draw incorrect conclusions about the impact of these assets or liabilities of the business as used in business operations.

Generally speaking, we believe that, with exception of those items noted previously, most of the framework as presented is meaningful and headed in the right direction. We look forward to the advancement of the evaluation of 'Financial Accounting and Reporting Guidance for Private Companies' as laid out in the framework and offer our observations and opinions in hope of making the process more worthwhile for all users of financial statements.

Sincerely,

Norman P. West
Chief Financial Officer