



The Association of
Accountants and
Financial Professionals
in Business

November 8, 2012

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

File Reference No. 2012-230

Dear Sir:

The Small Business Financial and Regulatory Affairs Committee (SBFRC) of the Institute of Management Accountants (IMA) appreciates the opportunity to provide its view on the FASB's Discussion Paper, Private Company Decision-Making Framework.

The IMA is a global association representing more than 65,000 accountants and finance team professionals. Our members work inside organizations of various sizes, industries and types, including manufacturing and services, public and private enterprises, not-for-profit organizations, academic institutions, government entities and multinational corporations. The SBFRC addresses issues that impact small and medium-sized organizations. On behalf of IMA's members, the SBFRC engages and suggests solutions to standard-setters and regulatory agencies such as the Financial Accounting Standards Board, Securities and Exchange Commission, International Accounting Standards Board, Small Business Administration, American Banking Association, Internal Revenue Services and others. Information on the committee can be found at www.imanet.org/about_ima/advocacy_activity.aspx.

As noted in the letter dated December 22, 2011, our belief is that there needs to be one set of Generally Accepted Accounting Principles (GAAP) and all companies should follow these principles. All companies should follow the same rules for measurement, recognition, and presentation. The needs of the financial statement users should drive the guidance for areas beyond measurement, recognition, and presentation. For example, public companies have additional requirements to meet the needs of their users and regulators. We are identifying these additional requirements as the "+" in GAAP. Private companies that are not required by their users or regulators to produce these additional requirements would be exempt from these additional requirements. We believe this "GAAP +" approach will lead to financial statements that are comparable and meet the needs of both public and private company financial statement users.



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Question 1

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

While the SBFRC represents a constituency within our membership, IMA's leadership has been involved in this process for many years. We have had a member on the FASB's PCFRC, we have had members on the Blue Ribbon Panel, and we have prepared and submitted comment letters at each stage and participated in the public outreach round table discussions leading to the formation of the Private Company Council (PCC). The SBFRC's current members include preparers in manufacturing and service industries, mostly private but some public filers, a few members in public accounting and a small number in academia.

Question 2

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.

Yes, the staff has identified and focused on the appropriate factors for private and public companies. However, members of the SBFRC representing public companies and the IMA's Financial Reporting Committee believe that many of these factors are equally applicable to public companies and should be considered by the FASB for all companies.

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?

Yes, 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. We believe that such a framework should be used for all companies to ensure the cost effectiveness of financial reporting as a whole. We believe that if additional information, analysis or metrics beyond those prepared by management to effectively operate the enterprise are being requested, then it is more along the lines of compliance and should they pass the test of cost benefit, should only be included in supplemental disclosures, not a change in recording, measurement or reporting (display).

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?



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As users, we would expect to see similar presentations of industry-specific guidance for recognition and measurement and it is necessary that private companies apply the same general guidance as public companies.

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 (see paragraphs BR43 and BR44)? If not, why?

We believe the staff does appropriately describe and consider the primary information needs of users of private company financial statements, in particular, the ability of those users to access management and we feel that there is enough information given to appropriately guide the PCC in its determination as to what users often consider red-flags when reviewing private company financial statements. While the overall majority of our committee felt very strongly that users access to management and preparers was not only a legal separator of public and private companies but an operative one as well; there were however, examples where outside investors or auditors were not given access, but were stonewalled in their requests for information to determine the liquidity and solvency of the company. This apparent conflict makes it very difficult to represent a solid opinion in regard to the factors unique to private companies. We conclude that there may be situations where user access may become impaired and, therefore, there should be no presumption of access.

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 (see paragraphs 1.5 and 1.6)? If it has not, why, and what additional factors should be considered?

Yes, the staff has identified the appropriate questions for the Board and the PCC to consider in the recognition and measurement area of the framework.

Question 7

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, the appropriate areas of disclosure focus by private company financial statement users have been identified for the Board and the PCC to consider.

Question 8

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



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Yes, private companies should generally apply the same display guidance as public companies.

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?

Private companies should be provided at least a one year deferral period before requiring them to adopt new guidance. A longer deferral period should be provided for more complex guidance. Private companies should have the option to adopt the amendments before the deferred effective date for private companies, but no earlier than the required permitted date for public companies.

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?

Yes, we agree that some circumstances may warrant consideration of different transition methods for private companies.

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 (see paragraphs B8-B23 in Appendix B)? If not, why?

Yes, we agree with the basis for determination of which types of companies should be included within the scope of the framework.

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 (see paragraphs B6 and B7 in Appendix B)? If yes, please explain.

None that have not already been considered.

Question 13

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 and guidance?



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To force companies to blindly accept “all future” differences in recognition and measurement guidance when neither the impact of such guidance nor the cost/benefits of the guidance can be assessed is not a solution that will create an atmosphere that will lead to better accounting guidance.

In summary, IMA believes it is imperative that there are one set of Generally Accepted Accounting Principles and that the needs of the financial statement user should drive the guidance for areas beyond measurement, recognition, and presentation. We believe that there should be a base articulation of measurement, recognition and presentation applicable for the smallest and simplest of entities. From that base, as entities become more complex and the needs of the users (including management) become more detailed, then so does the resulting complexity of the accounting. It is our belief that it is much more difficult to begin with a complex set of GAAP rules and then to apply “exemptions” for private companies.

On November 1, the AICPA released an exposure draft offering what appears to be a non-GAAP based framework option for financial reporting by smaller private entities. While we appreciate the drive for simplicity relative to how overly complex GAAP has become, we find the notion of another standard setting body with a non-GAAP based solution confusing to the marketplace and contradictory to the solution proposed by the Blue Ribbon Panel and the Plan to Improve Private Company Accounting.

We appreciate the consideration of these comments. We are available to discuss at your convenience.

Respectfully,

A handwritten signature in blue ink, appearing to read "J. Exline", with a long horizontal flourish extending to the right.

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