

June 20, 2013

Ms. Susan M. Cospers  
Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856-5116

**File Reference No. 2013-250**

Dear Ms. Cospers:

McGladrey LLP appreciates the opportunity to comment on the *Private Company Decision-Making Framework – A Guide for Evaluating Financial Accounting and Reporting for Private Companies* (the guide). Based on first-hand knowledge gained through more than 80 years of experience with private company clients, we believe the disclosure and reporting requirements applicable to private companies have become overly burdensome and complex and are not always in line with the needs of the primary users of such entities' financial statements. We agree that public and private companies share many of the same concerns about the complexity and the costs of preparing financial statements in accordance with U.S. generally accepted accounting principles (GAAP). However, we believe the primary focus of private company financial statement users (typically owners and lenders) on obtaining information that is relevant to managing the business and making credit decisions compared to the primary focus of public company financial statement users on obtaining information that is useful for making investment decisions, makes the issue of cost and complexity more immediate from the perspective of private companies. We are, therefore, supportive of the FASB's efforts to address the unique financial reporting needs of private companies. We believe the revisions reflected in the guide to address issues raised in the last round of comment letters were appropriate and the guide generally identifies relevant matters to consider when evaluating if there should be reporting differences between public and private companies. Our comments follow in the form of responses to the "Questions for Respondents."

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

McGladrey LLP is a national CPA firm that serves hundreds of public companies and thousands of private companies in a variety of industries. We focus primarily on serving middle market companies and public sector entities.

**Question 2:** *Do you agree that this guide is based on the appropriate differential factors between private companies and public companies (see paragraphs DF1-DF13)? If 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.*

We believe the guide appropriately identifies the factors that differentiate public and private companies.

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**Question 3:** *Overall, do you agree that this guide would lead to decisions that provide relevant information to users of private company financial statements in a more cost-effective manner? If it does not, what improvements can be made to achieve those objectives?*

We believe use of the guide will lead to decisions that will provide relevant information to the users of private company financial statements in a cost-effective manner.

**Question 4:** *With respect to industry-specific guidance:*

*a. Do you agree that this guide appropriately considers industry-specific accounting guidance for private companies? That is, should private companies follow the same industry-specific guidance that public companies are required to follow in instances in which the Board and the PCC determine that the guidance is relevant to financial statement users of both public companies and private companies operating in those industries? If not, why?*

We generally agree the recognition and measurement guidance for specific industries should be followed by both public and private companies. However, we believe there may be situations in which reduced levels of disclosure or practical measurement expedients should be considered by the FASB and PCC when issuing industry-specific guidance. Therefore, we are supportive of the modification made to the guide that gives the FASB and the PCC the discretion and flexibility in certain situations where they feel it is appropriate to consider providing alternatives for private companies within industry-specific guidance.

*b. Do you think factors other than user relevance, such as cost and complexity, should be considered when the Board and the PCC are determining whether or not to provide alternatives within industry-specific guidance?*

While we believe the primary factor that should be considered in determining whether or not to provide alternatives for private companies within industry-specific guidance is user relevance, we also believe secondary factors for consideration are cost and complexity. For example, we would encourage the application of practical expedients in situations where there is a more cost-effective manner to accomplish a similar objective.

*c. Do you think that industry-specific accounting considerations should be different between (i) recognition and measurement and (ii) disclosure?*

We believe there generally should be more flexibility in industry-specific disclosure alternatives than industry-specific recognition and measurement alternatives; however, we believe the guide's focus on user relevance should appropriately accomplish this objective.

**Question 5:** *Do the different sections of this guide 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 section appropriately describe the red-flag approach often used by users when reviewing private company financial statements (see paragraphs BC45 and BC46)? If not, why?*

We believe the framework appropriately describes and considers the primary information needs of the users of private company financial statements and their ability to access management. While we understand and agree with the red-flag approach in certain situations, we would be cautious in its application to make sure that enough information is provided to assure the disclosure is fully transparent to users of the financial statements such that it makes users aware of the issue and provides them with enough information to facilitate further communications with management as appropriate.

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**Question 6:** Paragraph 1.5 includes the following questions for the Board and the PCC to consider in the recognition and measurement area of the guide:

1.5(e) Does the guidance require that the threshold for recognizing or measuring a transaction or event be at least probable of occurring?

1.5(h) Is it likely that users that are interested in the transaction, event, or balance can obtain information directly from management that can reasonably satisfy the objective of the guidance?

1.5(i) Is the lag between the year-end reporting date and the date financial statements are issued and made available to users likely to significantly dilute the relevance of the information resulting from the guidance?

Do you believe that the questions listed above are necessary for considering alternatives for private companies within recognition and measurement guidance? Or are the other questions in paragraph 1.5 sufficient for considering when alternative recognition and measurement guidance is appropriate for private companies within U.S. GAAP?

While we believe the questions in 1.5(a) through (d) should bear more weight in the decision-making process, we also believe the other questions in paragraph 1.5 capture appropriate factors to consider with the exception of question 1.5(i). We do not believe it is appropriate to imply there is a disproportionate delay in the issuance of private company financial statements (compared to public company financial statements) nor do we think it would be appropriate for reporting or disclosure standards to be based upon that premise.

**Question 7:** Do you agree that a private company generally should be eligible to select the alternatives within recognition or measurement guidance that it deems appropriate to apply without being required to apply all alternatives available to private companies within recognition and measurement? Do you agree that, in certain circumstances, the Board and the PCC may link eligibility for application of alternatives within recognition or measurement in one area to the application in another area? If not, why?

We believe that one of the goals of providing alternatives for private companies is to allow them flexibility in providing relevant information to the users of their financial statements in a cost-effective manner. For this reason, we believe it is important for preparers of private company financial statements to have an option to elect only those alternatives relevant to their specific facts and circumstances. Previously, we were concerned that if the FASB required an all-or-nothing approach, preparers would be reluctant to make the election due to the uncertainty of future alternatives that would have to be implemented and the impact of those changes to the users of their financial statements. We are, therefore, supportive of the changes made to the guide to provide preparers with the flexibility to choose to apply some, but not all, alternatives.

We also agree that there will be circumstances where it will be necessary to link the eligibility for application of alternatives within recognition or measurement in one area to another. Therefore, we are supportive of the guide's provision for such linkage when appropriate.

We would be pleased to respond to any questions the FASB or its staff may have concerning our comments. Please direct any questions to Rick Day at 563.888.4017.

Sincerely,



McGladrey LLP