

June 19, 2013

Technical Director, File Reference N. 2013-250  
FASB  
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Submitted via electronic mail to [director@fasb.org](mailto:director@fasb.org), file Reference No. 2013-250

**Re: FASB Exposure Draft, “Private Company Decision Making Framework A Guide for Evaluating Financial Accounting and Reporting for Private Companies”**

Dear Sirs:

The Accounting Principles and Auditing Standards Committee (“the Committee”) of the Florida Institute of Certified Public Accountants (“FICPA”) has reviewed and discussed the subject exposure draft and has the following comments and recommendations.

**Overall Response**

The Committee discussed the need for US GAAP to offer alternative recognition, measurement, disclosure, display, effective date, or transition guidance for private companies reporting. Overall, the Committee members present generally believes that US GAAP should be consistent among entities, public and private, of all sizes, with the only significant difference being in the level of disclosure and in implementation dates. While there may be noticeably different users of financial statements of a large accelerated filers and small private companies with single owners, there is a large middle ground consisting of public and private companies with similar users such as financial institutions.

The overriding concept is that a user, such as a financial institution, should not have financial statements from two similar businesses, one public and one private, with a different financial position and different results merely because one is public and one is private.

The Committee's raised the following issues regarding the private company decision framework:

- If certain recognition, measurement, or transitions requirements are seen as overly burdensome for preparers and auditors and not cost-beneficial for users of financial statements of smaller or private entities, the issue likely exists for larger public entities as well; the difference being the larger entities, and their auditors, likely have more resources to address the issues. Consideration should be given not to if private companies should be exempt from certain pronouncements or have modified recognition and measurement, but should all companies, public and private, large and small, be exempt from certain pronouncements. This would in effect, nullify certain pronouncements, such as those with theoretical validity but with a costly effort regarding recognition and measurement that results in additional information in the financial statements that is not cost-beneficial to users of financial statements;
- The way the proposal is structured would permit “GAAP drift,” which would allow US GAAP for public and private to drift in a haphazard and uncoordinated manner;
- The proposal potentially dilutes the time and effort of entities’ and their CPA firm’s training, quality control, and focus by providing numerous accounting exceptions to consider. Accounting departments and CPA firms would be burdened with additional education and training for their

staff and would likely need to spend considerable time keeping up with the differences in public vs. private company GAAP;

- As the differences between public company and private company GAAP grow, private company preparers and auditors alike would potentially lose a valuable resource in being able to look at public company financial statements for representative presentation examples.

The Committee members present did note that certain areas of US GAAP may be overly burdensome on private companies. However, rather than creating exceptions to the existing US GAAP framework, members in attendance noted various mechanisms already exist to address such issues:

- the regular FASB process of standard setting, which can be seen as the best way to achieve a single set of high- quality accounting standards that work globally;
- the use of already-existing special purpose frameworks (cash basis, income tax basis, etc.); and
- the use of GAAP exceptions and qualified opinions.

### **Alternate proposal**

As an alternate proposal, the Committee believes that the FASB should continue to set US GAAP for all entities on a consistent basis and has the following suggestions:

- The only significant difference that should be considered in US GAAP in regards to private entities should be in
  - (1) Potentially the level of financial statement disclosure and
  - (2) Potentially in the deferral of implementation dates for ASUs which potentially require a significant change in financial reporting.
- For all future Accounting Standards Update exposure drafts, questions about public vs. private considerations should be expanded to have a Private Company Considerations section which considers the six issues discussed in DF1:
  - I. Types and number of financial statement users
  - II. Access to management
  - III. Investment strategies of equity investors
  - IV. Ownership and capital structures
  - V. Accounting resources
  - VI. Learning about new financial reporting guidance.
- Also, upon adoption, all ASUs should list the considerations related to the abovementioned six items, in a similar manner to in which a section discusses consistency with IFRS.
- Ensure that private company advocates have a strong voice on the FASB through the regular FASB process of standard setting.

### **RESPONSE TO QUESTIONS**

#### **Response to Question 1:**

The Committee is the senior technical committee of FICPA. The FICPA has approximately 18,500 members. The Committee is comprised of 21 members, of whom the bulk are members of local or regional firms. There is also 1 member from a Big Four firm, 1 member from industry, and 1 member from a malpractice carrier. Of those in public practice, the members of the Committee have varying degrees of involvement with public company audits, ranging from no public company clients to nearly exclusively auditing public company audits. This response is the representation of this committee and may or may not be representative of the membership as whole.

#### **Response to Question 2:**

Please see the Committee's "Overall Response" and "Alternate Proposal" above.

#### **Response to Question 3:**

Please see the Committee's "Overall Response" and "Alternate Proposal" above. Overall, the Committee believes US GAAP should be identical for all entities with the only possible significant differences being

in terms of level of disclosure and in implementation dates. While the proposed amendments may reduce some financial reporting costs, users confusion created by the diverse reporting alternatives would likely offset the hoped for benefits.

**Response to Question 4:**

Please see the Committee's "Overall Response" and "Alternate Proposal" above.

**Response to Question 5:**

Please see the Committee's "Overall Response" and "Alternate Proposal" above. The "red flag approach" should apply to private companies' and public companies' disclosures. The Committee believes the recognition and measurement guidance should be comparable for public and private companies.

**Response to Question 6:**

Please see the Committee's "Overall Response" and "Alternate Proposal" above.

**Response to Question 7:**

Please see the Committee's "Overall Response" and "Alternate Proposal" above. Overall, the Committee believes US GAAP should be consistent between all entities with the only possible significant differences being in terms of the depth of disclosure and in implementation dates. By allowing entities to select Alternates, the potential exists for a cafeteria approach to US GAAP that would potentially:

- allow manipulation of financial position and results,
- dilute the comparability of financial statements, and
- create confusion among users of financial statements.

The Committee appreciates this opportunity to respond to this Exposure Draft. Members of the Committee are available to discuss any questions or concerns raised by this response.

Respectfully submitted,

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FICPA Accounting Principles and Auditing Standards Committee

Committee members coordinating this response:

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