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PARENTEBEARD

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PCC Review
Financial Accounting Foundation
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Dear Reviewers:

We are pleased to have the opportunity to provide feedback to the Financial Accounting Foundation ("FAF") with respect to the Private Company Council ("PCC"). At Baker Tilly Virchow Krause, LLP (Baker Tilly) we have strong support for the PCC and its efforts to date in improving financial reporting for the users of private company financial statements.

Baker Tilly is a large public accounting firm, currently ranked number 12 in the United States with approximately 290 partners and 2,500 team members generally operating regionally, from Minneapolis to New York City. Our practice is varied, offering audit and assurance, tax and consulting services across a broad array of clients. However, our largest practice group is services for privately owned entities, many of which are smaller businesses. The work of the PCC has been of keen interest to us because of its impact on our clients.

The balance of this letter will be devoted to answering your specific questions:

1. *A primary responsibility of the PCC has been to review and propose GAAP alternatives that will sufficiently address the needs of users of private company financial statements. Do you believe that the PCC has been successful in proposing alternatives within GAAP that addresses the needs of users of private company financial statements? Please elaborate.*

We believe that the PCC has largely been successful to date in proposing alternatives to GAAP. In certain of the accounting alternatives, the progress may not have been as far as we would have liked, but nevertheless there has been significant progress. For entities that can adopt the alternatives, there should be real cost savings in applying GAAP, notably with respect to acquisition accounting and hedging. These savings are enabled without significantly diminishing the quality of information that the users of the financial statements receive.

Moreover, the accounting alternatives approach has enabled the entities adopting the standards to continue to obtain accountants' reports that clearly state the financial statements are presented in accordance with GAAP. This was an especially important consideration when the project first started. That is, for users, it is clear that the financial reporting is somehow not an inferior version of GAAP.

2. *Do you believe the PCC's review of areas of existing GAAP that require reconsideration for private companies (referred to as the "look-back" phase) is complete or almost complete? Please elaborate on what will indicate that the look-back phase (for existing GAAP) is complete.*

This is a difficult question to answer as it is not entirely clear as to the extent of the PCC look-back review and the associated conclusions related to that review. In our view, the look-back review should basically be a transparent project where all sections of the ASC are subjected to consideration for improvements to financial reporting for private entities. In many cases this process will be reasonably straightforward and quickly result in a conclusion that no alternatives are necessary. In other cases a more thorough vetting will be indicated, including appropriate outreach to stakeholders. It would be helpful if the progress on the process is provided at the FASB website, with relevant updates as necessary, in manner similar to the current technical agenda display.

We believe there are still several issues that merit a comprehensive assessment by the PCC, including:

- fair value measurement requirements throughout the ASC, where there may be practical expedients available for private entities
- debt vs equity issues specific to private entities
- share based payments
- other compensation issues, including disclosures
- further consideration with respect to intangible assets such as IPRD, defensive intangibles, etc.
- specific guidance for pass through entities, especially income tax considerations and capital structures and others.

Until such a comprehensive list is developed and evaluated by stakeholders it is difficult to know when the look-back project is complete.

3. *Another key responsibility for the PCC is to serve as FASB's primary advisory body on the appropriate treatment for private companies on issues that the FASB is actively considering. Do you believe the PCC has been effective in assisting the FASB in its standard setting process for active projects? Please explain.*

This responsibility of the PCC is vitally important as the FASB continues with active projects. For the first time there is a structured process for obtaining viewpoints on projects specifically from the private entity sector. This has been an improvement and should be considered as a permanent role for the PCC after the look-back assessment is completed. We believe that this process has changed the mindset of the FASB and guided them, when possible, to less complicated standards. Clearly the PCC influence is seen in the FASB's active turn toward simplification and streamlining of the extant standards. This is likely to yield significant benefits for users, preparers and auditors.

4. *What improvements, if any, are needed to ensure the PCC is an effective advisory body to the FASB on issues that the FASB is actively considering?*

We believe as noted below in question 9, that the FAF suggestions as to improved communications, including status calls, meeting materials and access to educational sessions on standard setting will be very helpful. It also may be beneficial for the FASB to appoint a member of the PCC to be a standing observer to the EITF, as issues that arise there have impacts on private entities as well. If the EITF is used by the FASB as a "filter" for assessing implementation issues and new developments, it would be helpful for that body to get input from the private sector during its deliberations.

5. *Since the establishment of the PCC, do you believe that the FASB has been appropriately responsive to the needs of private companies and the recommendations of the PCC?*

We believe that in the last five years, the FASB has made a significant improvement in its approach to private company matters. It now appears that considerations related to private companies are "baked" into the FASB's deliberations and that the private company considerations have begun to influence its approach to standard setting in general. This is a very positive development and we urge the FASB to sustain this course and to expand it by using the same approach when considering issues related to not-for-profit organizations.

6. *Do you believe that further changes to the standard-setting process for private companies are warranted? Please elaborate.*

We have noted some potential improvements in the process in responses to questions 2 and 4. Additionally we believe it would be helpful for the PCC to also consider regular and specific outreach to certain bodies that are representative of private company stakeholders, such as the Technical Issues Committee of the Private Company Practice Section of the AICPA and potentially Financial Executives International and the Institute of Management Accountants.

7. *Do you have any suggestions regarding changes to the size, composition, term length or responsibilities of the PCC?*

We would suggest that if the work load of the PCC increases as a result of more involvement with the FASB it might be better to increase the current size in order to effectively distribute the work and not expect that all members will be deeply involved in all standard setting. In addition we strongly encourage the staff to consider rotating new members on to the PCC on a regular basis to keep energy high, avoid the buildup of institutional inertia and to keep the ideas fresh.

8. *When the Trustees established the PCC in 2012, the Trustees envisioned that their existing Standard-Setting Process Oversight Committee would assume the oversight responsibilities for the PCC after three years. Is there a reason that the Standard-Setting Process Oversight Committee should not assume the responsibilities in 2016?*

We see no reason why this planned transition should not occur, as long as the membership of the Oversight Committee includes FAF members with sufficient understanding and sensitivity to the special needs of private companies and the users of those financial statements.

9. *What is your reaction to the possible improvements included in the prior section?*

We are supportive of the noted improvements.

10. *What other improvements to the PCC or its process would you suggest?*

We have no further comments than those noted above.

Thank you very much for the opportunity to submit these responses. We will continue to follow the activities of the FASB and the PCC with interest as the process matures and improves over the coming years.

Sincerely yours,



Baker Tilly Virchow Krause, LLP