



May 5, 2015

PCC Review  
Financial Accounting Foundation  
P.O. Box 5116  
Norwalk, Connecticut 06856-5116

Re: Three-Year Review of the Private Company Council

To Whom It May Concern,

The Partners of Cherry Bekaert LLP wish to thank the Financial Accounting Foundation for its commitment to providing private entities with accounting standards that meet their needs, as well as for all the hard work and efforts to create the Private Company Council to address the needs of private companies. We thank the Foundation for the opportunity to comment on the *Three-Year Review of Private Company Council*.

*Question 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 address the needs of users of private company financial statements? Please elaborate.*

We believe the PCC has been very successful in proposing alternatives for private companies. The four Accounting Standards Updates (ASUs) that were issued were in areas that critically needed to be addressed. In addition, many of the items that started on the agenda that then flowed to the FASB agenda (including development stage entities) were significant changes. Each alternative was successful in providing private entities with a measurement alternative that provided enough information to users while removing unneeded complexities for the preparer.

*Question 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.*

While the PCC has done considerable work, we believe that the look-back phase is not quite complete. Other areas that we feel the PCC could review are stock options; equity instruments currently required to be treated as liabilities even when the likelihood of a cash settlement is effectively zero; ESOP accounting; complex debt transactions (especially with affiliates); uncertain tax positions; and fair value disclosures, as well as other comprehensive income. In addition, we believe that the PCC should reserve the right at any time to consider existing GAAP should items come to their attention in the future. We additionally think that it is essential that the PCC work with the FASB in developing guidance on transitioning from the PCC framework back to GAAP. Currently, the lack of transition rules and the resultant requirement to go back and recast as if an entity had never adopted any PCC standards is likely resulting in many companies with uncertain exit strategies from availing themselves of the benefits of the PCC framework.



*Question 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 that the PCC has been effective in assisting the FASB in its standard-setting process for active projects? Please explain.*

The PCC has had a very active agenda of look-back items. Their agendas have addressed some of the larger FASB projects including leases and revenue recognition. However, leases has not yet been issued so it is difficult to comment whether or not the PCC was effective and revenue recognition was very far along by the time the PCC started discussing it that it is hard to determine their effectiveness. We believe they will serve a vital role in the future.

*Question 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?*

Similar to the Not-For-Profit Advisory Committee's NFP Resource Group, we recommend that the PCC establish a Standing Advisory Group that the PCC could use to act as a sounding board. These additional private company preparers, users and auditors would be able to provide additional practical advice and feedback to the PCC. While we believe 9 – 12 members is adequate for a decision making body, we feel having a larger group of approximately 30 or more individuals who could voice concerns and provide feedback would allow more private company voices to be heard. The Standing Advisory Group would not need to have set meetings but would be asked to provide comments as items are added to the PCC or FASB agenda to provide feedback as part of the PCC's information gathering approach.

*Question 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 from the PCC?*

We believe the FASB has been responsive to the PCC and the needs of private companies. They have participated actively in the discussions and provided guidance and history when needed.

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

We believe the standard-setting process has been successful and therefore have no suggestions.

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

We believe the size, composition and term length are appropriate. We believe that additional guidance should be provided on the responsibilities of the PCC.

*Question 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 those responsibilities in 2016?*



We believe that the current process has been very successful and do not believe that a transition is needed. The direct supervision by the FAF provides a level of significance to the PCC which we feel should not be removed.

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

We support the continued establishment of working groups for FASB projects and research topics.

We believe that the PCC should not fully transition to an advisory body. We believe that maintaining the look-back capabilities of the PCC is important as future items are identified. We agree that more time should be devoted to current FASB projects but do not believe that it should be an advisory-only body.

We believe that the PCC's mission is specific to private companies and that the NAC provides similar services for NFPs. We do not believe that the PCC should involve itself in public company or NFP items. Instead, we feel that separate groups comprised of users, preparers and analysts for separate fields be used to provide advisory or look-back work for those entities.

We agree that the PCC Chair should continue to ensure the use of the Framework for identifying and developing alternatives.

We have no comment regarding outreach and networking by PCC members.

We have no comments regarding how PCC should communicate to private company stakeholders. We feel that the meeting minutes from the meeting provide adequate information for interested parties.

We believe the full PCC should be involved in identifying agenda items. We do not believe the PCC should be involved in identifying agenda items for public or not-for-profit organizations.

We believe that it is important to have consistency and having a minimum number of meetings allows for that consistency. If there is no requirement to meet, the number of meetings could potentially fall off and then the PCC will become less relevant. By meeting and having discussions, the PCC will be more familiar with one another and more easily identify items to discuss.

We support regular conference calls and/or web conferences between meetings to provide consistent and continuous feedback to the FASB and staff.

We have no opinion on advance meeting materials.

We agree that the FAF should seek individuals with private company expertise to advise FASB.

We have no opinion on experience in the surety industry.

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

We have no other suggestions. We look forward to the PCC continuing to provide a voice for private entities.



Thank you once again for allowing our Firm the opportunity to comment on this matter. We applaud the board's initiative and efforts, and look forward to seeing the work of the Private Company Council continue.

If you have any questions, please contact us at (704) 377-1678.

Sincerely,

A handwritten signature in black ink that reads 'Raymond R. Quintin'.

Ray Quintin, Partner

Audit Professional Practice – Technical Director