



May 6, 2015

Board of Trustees  
Financial Accounting Foundation  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

**RE: File Reference: PCC Review**

Dear Trustees:

We appreciate the opportunity to comment on the Three-Year Review of the Private Company Council (PCC). PricewaterhouseCoopers LLP (PwC) is one of the largest providers of audit, tax, and other professional services to private companies in the United States. PwC's Private Company Services (PCS) practice is a national practice comprised of more than 2,000 professionals who provide customized tax, audit, and advisory services to private companies, their owners, and high net worth individuals. These companies span a broad array of sectors and industries ranging from manufacturing to retail to industrial to professional services.

Overall, we believe the PCC has been successful in representing the perspectives of private company stakeholders and addressing private company concerns. The PCC has demonstrated passion for change, and their level of engagement and willingness to act have helped address the complexity of financial reporting for private companies, their financial statement users, and financial reporting as a whole. The PCC's accounting alternative for goodwill is a prime example. The final Accounting Standards Update (ASU) 2014-02, *Accounting for Goodwill*, permits treatment that eliminates much of the current complexity in goodwill accounting. The PCC's efforts were the impetus for the FASB to consider changes to goodwill accounting for public companies, on the basis that the users of public and private company financial statements have consistent needs with regard to goodwill information.

In addition to the PCC's standard-setting role, we are aware that the PCC has provided both written feedback (publicly available) and verbal feedback (during PCC meetings) on broader FASB projects including, but not limited to, leases and debt accounting simplifications. This input is critical to ensuring that private company perspectives are considered during FASB deliberations. However, as discussed below, we believe that the PCC's interactions with the FASB related to ongoing standard setting should be better documented.

We commend the FASB for being responsive to the needs of private companies and the recommendations of the PCC. The FASB has demonstrated its commitment to private companies through its active participation in PCC meetings, its collaborative style, its willingness to listen to different points of view, and its allocation of FASB staff resources to support the PCC's outreach and research activities. In addition, the FASB's open minded approach to PCC agenda topics (e.g., goodwill, development stage entities) fosters a broader dialogue around whether changes in those areas may be appropriate for more than just private companies.



*Next steps for the PCC*

We believe the PCC's review of existing GAAP for topics of concern to private companies is nearing completion, especially in light of the FASB's simplification initiatives aimed at reducing complexity for both public and private companies. For example, the FASB's ongoing projects on share-based payments and the disclosure framework are likely to address significant concerns that private companies have expressed with existing standards. As a result, we expect that the PCC will spend more time in the immediate future focused on its advisory role, particularly with respect to the FASB's ongoing efforts to reduce complexity in financial reporting.

In order to continue to be effective in its advisory role, the PCC will need to maintain a high level of engagement. The speed with which the FASB is moving to reduce complexity means that timely perspectives from private company stakeholders is essential. In addition, as the FASB nears completion of many of its large, multi-year projects, such as leases, the PCC needs to ensure private company views continue to be represented.

It will also be important for the FAF to ensure that the PCC remains empowered to speak and act on behalf of private companies, and that the FASB provides due consideration of the PCC's input. This will ensure that the PCC maintains its relevance and continues to attract qualified members.

To ensure the longer-term success of the PCC, we encourage the FAF to consider the following suggestions:

- *FASB staff/PCC interaction*—Require or strongly encourage the FASB staff to discuss private company considerations with the PCC for all active FASB projects. In addition, continue to allocate FASB staff resources to the PCC to assist in its research and outreach on private company considerations. PCC members should participate in outreach whenever possible.
- *Leverage the PCC's expertise*—Encourage the FASB to continue establishing working groups for select projects and research topics, and engage one or more PCC representatives in these working groups. Additionally, encourage the FASB to actively assign standard-setting considerations to the PCC, such as asking the PCC to propose (formally or informally) possible private company or simplification alternatives for active projects. It would also be helpful to maintain transparency around the FASB's decision-making in response to such proposals so that both the PCC and constituents can understand the FASB's rationale for concluding that a PCC proposal did or did not have merit to move forward.
- *PCC meeting schedule*—Institute regular PCC meetings or a process to determine when meetings with the FASB or FASB staff are necessary to discuss active projects. Include education sessions when applicable or other advanced preparation materials (similar to information provided to the FASB members) to inform the PCC members about relevant standard-setting activities.
- *Transparency of PCC feedback*—Implement a process that provides more transparency and a more formal record of PCC input on active projects. For example, the PCC could institute a more consistent method of providing feedback (e.g., always via a comment letter, or always via meetings so that its views are captured in meeting minutes). In addition, a section on the PCC webpage could be created to aggregate PCC feedback, meeting minutes, comment letters, etc. to allow PCC constituents to find all relevant information in one place. These improvements would make it easier for private companies to understand how their interests are being represented by the PCC,



and help private companies identify instances where they may want to share different or incremental views with the FASB.

- *FASB/PCC relationship*—Continue to have a FASB board member liaison that is knowledgeable about private companies. Having this strong liaison relationship contributes to the PCC's success and engenders constituents' faith in the process.

While we believe the above represent reasonable approaches, we acknowledge that there may be alternative actions that would achieve the same objectives.

*Other improvements to the PCC's process*

We believe that in most cases, the financial reporting that is relevant to users of public company financial statements is also relevant to users of private company financial statements. Therefore, we continue to believe that different recognition and measurement guidance between private and public companies should be rare, limited to instances where users of private and public company financial statements have clearly different informational needs. At the same time, we recognize the value of diverse perspectives in the standard-setting process and the sometimes unique concerns of the private company constituency. Therefore, we support the PCC's ongoing involvement in the standard-setting debate, ensuring appropriate consideration of private company concerns, while maintaining a single set of GAAP that is broadly applicable to all companies.

When circumstances arise that require the PCC to act in a standard-setting role, we encourage the PCC to adopt a more consistent and structured process for voting on issues. To date, the voting process during meetings is not always clear, sometimes causing uncertainty as to the outcome of the vote. A more structured voting process—perhaps similar to the one used by the EITF—should be considered.

*Summary*

We believe the PCC has advanced the concerns of private companies and, in a short amount of time, established itself as an important contributor to the FASB's understanding of private company perspectives. As the focus of its efforts shifts from standard setting to advising the FASB, we encourage the FAF to consider the above recommendations and take the steps necessary to support the continued relevance and effectiveness of the PCC.

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If you have any questions regarding our comments, please contact Patrick Durbin at (973) 236-5152 or Kirsten Schofield at (973) 236-4054.

Very truly yours,

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

PricewaterhouseCoopers LLP