



Tel: 312-856-9100
Fax: 312-856-1379
www.bdo.com

PCC3YEAR
Comment Letter No. 22

330 North Wabash, Suite 3200
Chicago, IL 60611

May 8, 2015

Via email to PCCReview@f-a-f.org

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

Re: Three Year Review of the Private Company Council (PCC)

Dear Trustees:

We are pleased to respond to the FAF's request for input on the effectiveness of the PCC. We appreciate the PCC's focus on simplifying U.S. GAAP and support its continued relevance as an advisory body to the FASB on private company issues.

In that context, we note that matters addressed by the PCC also apply in some measure to other entities, including public companies and certain not-for-profit entities. Accordingly, we believe it would be helpful in the future for the Board to deliberate such matters comprehensively for all entities prior to issuing an alternative applicable only to private companies. That is, issuing a private company only alternative first and then evaluating whether similar changes should be expanded to include public entities seems less effective and efficient.

Our views, including responses to most of the specific questions in the Request for Comments (RFC), are further elaborated in the appendix to this letter.

We would be pleased to discuss our comments with the FAF. Please direct questions to Chris Smith at (310) 557-8549 or Adam Brown at (214) 665-0673.

Very truly yours,

BDO USA, LLP

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Appendix

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 agree that the PCC has successfully proposed alternatives within GAAP that mitigate complexity and/or cost concerns for private company constituents. However, we understand that many private companies are hesitant to apply those alternatives because of the uncertainty surrounding the look-back period in case those entities desire to become public in the future, including potentially restating prior periods for material items. Regulatory requirements for attaching "public company GAAP" compliant financial statements of material private investees and significant acquirees in public company filings further affects the viability of those alternatives.

Accordingly, we believe that in the future, any recognition and measurement alternatives should be considered for all entities, which would eliminate these types of uncertainties.

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.

We appreciate that the PCC has deliberated the initial accounting areas of concern raised by private company constituents in earlier town hall meetings, roundtables and other outreach. As noted in our cover letter, we believe that that the matters raised by the PCC also apply in some measure to other entities. That is, going forward, our preference would be to explore improvements to existing GAAP for all entities. Therefore, we agree that the look-back period for private company only constituents is essentially complete.

However, we observe that like any other new standard, there are, or likely to be, unanticipated implementation issues related to the issued alternatives. As such, the FAF, in conjunction with the FASB, may wish to consider whether there are circumstances that make it advisable for the PCC to be involved in resolution. For example, if a private company has elected to amortize goodwill and subsequently classifies a business as held-for-sale, the goodwill standard does not address whether amortization should cease or not, similar to the depreciation of long-lived assets. Similarly, we are aware of diverse views as to whether a single-reporting unit private company with a negative carrying amount that has elected the goodwill alternative is precluded from recognizing a goodwill impairment. As such, the FAF may wish to consider whether a mechanism involving the PCC should exist to address practice issues that may result from private company only standards, including any that may be issued in the future to resolve unanticipated private company issues.

The FAF also could consider whether it would be beneficial to carry out a post-implementation review of specific PCC standards to identify other unanticipated implementation issues or application constraints.

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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.

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?

We acknowledge the feedback provided by the PCC on the FASB's ongoing project(s). We note that the FASB is responsible for documenting in the basis for conclusions of any proposed or final guidance how it considered the recommendations from the PCC.

We also agree that to provide timely feedback, there should be a consistent and continuous mechanism among the PCC and FASB members (and staff) on most active FASB projects. We suggest some flexibility in scheduling conference calls and/or web conferences, to address some of the Board's "fast track" simplification initiatives. Further, we believe these calls and/or conferences should be in addition to scheduled deliberative meetings, with some perhaps serving a more educational purpose. Formal discussions on active projects could be archived on the FASB's website for interested constituents, similar to other Board meetings.

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 agree that the endorsement process has been an effective response mechanism in the PCCs standard setting activities. Regarding the efficacy of the PCC as an advisory body, see our responses to Questions 3 and 4 above.

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

We agree with the suggestion in the RFC about PCC members developing their own informal networks to broaden the input they receive. It may also be helpful to form working groups based on an individual member's areas of focus. We recommend that such working groups consider including temporary outside members, depending on the complexity and prevalence of the subject matter. These outreach efforts would enhance PCC members' input to the standard-setting process.

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

Considering the transition of the PCC to primarily an advisory body representing private company stakeholders on the FASB's active projects,¹ we suggest that the FAF consider whether expanding

¹ We note the FAF's request for comment indicates "The PCC should continue transitioning from a body that primarily develops alternatives to existing GAAP to one that primarily provides input on active FASB agenda projects. During this phase, the amount of time the PCC spends on look-back issues should decrease as the amount

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the size of the PCC would be beneficial. Compared to standard setting activities where greater numbers may make it more challenging to arrive at a consensus, an increase in the size of an advisory body may better serve the objective of broadening relevant input for FASB consideration. In this regard, we note that similar advisory bodies, such as the FASAC has an expanded membership.

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

We recommend that the FAF consider expanding the interaction between the PCC and the Small Business Advisory Committee, considering that they often face similar issues, as acknowledged in the RFC. Similarly, the PCC could consider a more formal mechanism for gathering preliminary input from the AICPA and other interested industry and accounting bodies, perhaps through scheduled FASB staff outreach.

of time the PCC spends in an advisory capacity increases. At the end of this transition phase, the PCC should be spending the majority of its time advising the FASB on its active agenda projects.”