



ILLINOIS CPA SOCIETY

May 11, 2015

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

File Reference Three-Year Review of the Private Company Council

The Accounting Principles Committee of the Illinois CPA Society (Committee) appreciates the opportunity to provide an overall assessment of the Private Company Council (PCC). The Committee is a voluntary group of CPAs from public practice, industry and education. Our comments represent the collective views of the Committee members and not the individual views of the members or the organizations with which they are affiliated. The organization and operating procedures of the Committee are outlined in Appendix A to this letter.

The responses included in our letter include the collective views of the majority of members on our committee. Some members of our committee are not in support of recognition and measurement differences between private and public companies.

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.*

The ASUs issued thus far in regards to goodwill, hedge accounting, business combinations and VIEs are being used by private companies. There are additional detailed areas within GAAP that the PCC should consider for alternatives for private companies. In addition, the PCC should also issue a broader implementation framework to help private companies with the overall transition and not just with individual ASUs. This framework should also include guidance for companies transitioning from existing GAAP to a private company alternative and vice versa.

Within the request for comment, there is discussion around possibly eventually allowing small public companies to use private company alternatives. The Committee does not believe this should be allowed and the PCC should continue to concentrate their efforts to private companies, expanding available alternatives, and issuing a framework, and not spend time discussing options for public companies. If the FASB, based on projects completed by the PCC, decides that simplification of GAAP is needed for all entities, it would be more appropriate for the FASB to take action while still allowing the PCC to concentrate their time on private companies. Further discussion of this is below in Question 6.

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.

The Committee does not believe the “look-back” phase is complete. The “look-back” phase has only tackled the topics considered to be low-hanging fruit, such as goodwill, hedge accounting, business combinations, and VIEs as discussed above. These topics were the agreed upon topics of the PCC at formation and the Committee. There are several additional topics such as share based compensation and pension accounting that the Committee would like to see the PCC address. Additionally, the Committee sees tremendous opportunity for the PCC to address the issue of disclosure relief for private companies. Until these topics have been addressed, the Committee does not believe the “look-back” phase will be completed.

- 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 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.*

We favor a proactive role for the PCC in fulfilling its responsibility in advising the FASB in the standard setting process for active projects. One possibility for improving the visibility of the process might be to publish a summary of issues considered and incorporated within the guidance or rejected within the basis for conclusions, preferably, or elsewhere.

- 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?*

A more proactive approach to assisting the FASB could take several forms, including assisting the FASB in identifying and evaluating issues of potential concern to private companies in the design phase, participating in outreach to stakeholders, observing or participating in education sessions, proposing questions to be included in exposure documents, reviewing comments for potential issues, and performing an overall review of major projects nearing completion. While PCC working groups could also participate by providing comment letters on proposed standards, we envision the role of the PCC to be more integrated with the work of the FASB than would be evidenced by a comment letter, an avenue of expression that is available to all stakeholders and the public.

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

We believe that generally the FASB has been appropriately responsive to the needs of private companies and the recommendations of the PCC. We encourage the PCC and the FASB to continue to challenge existing GAAP to determine if additional PCC accounting alternatives are warranted.

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

The committee believes that the standard setting process for private companies is good but additional regular and specific outreach efforts are needed. Each member of the PCC should develop their own network of contacts. For example, specific outreach would

include private company stakeholders such as the AICPA Technical Issues Committee of the Private Company Practice Section (PCPS) or the Institute of Management Accountants.

In addition, the FASB Board and staff should ensure PCC members work directly with the EITF to resolve issues impacting private companies. Currently, the PCC does not have a direct line to the EITF and many EITF projects could impact private companies. Without a direct line, the PCC would need to work with the FASB to undo EITF projects.

On another note, while the PCC should concentrate on private entities, both private and public entities could benefit from disclosure relief instead of only working to improve recognition and measurement issues. It seems disclosure overload is relevant to both private and public companies. While some disclosure issues are more prevalent for a private company (e.g. how much value are fair value disclosures adding to users of a private company investing in Level 1 investments), disclosure relief (both private and public) is an important area of focus. With that said, the evolution of the PCC may be from private company vs public company issues, to the simplification of GAAP in general by the FASB itself.

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

The PCC should consider seeking participation in the committee of active or retired partners, or senior managers, either with significant quality assurance responsibilities, or direct account responsibilities, from second tier firms whose practices include privately held companies in various industries. Currently, the committee does not appear to have sufficient representation from the profession.

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 the Standard-Setting Process Oversight Committee should not assume those responsibilities in 2016?*

The PCC has made significant progress during the initial three year period. As complexity of financial reporting for public companies continues to increase, the role of the PCC becomes even more significant. Accordingly, the Standard Setting Process Oversight Committee should assume oversight responsibility for the PCC as soon as possible.

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

The Committee believes that the possible improvements to the PCC as outlined are a good start. The Committee agrees that the communication between FASB and PCC needs to improve, which should also include communication with the EITF as the Committee noted earlier. It is vital for the PCC to be in communication with FASB in order for the PCC to fulfill its mission. Many of the possible improvements identified are focused on improving communication between FASB and the PCC which should be focused on as the PCC matures. The PCC should work to issue a broader implementation framework rather than the implementation frameworks provided for the ASUs for private companies. As stated earlier, the PCC should focus on expanding the alternatives to private companies and not including smaller public companies under that focus. While the alternatives created by the PCC may have a broader implementation to public companies or not-for-profit companies, the FASB should be the one charged with determining proposed guidance for those entities.

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

We have no further improvements to suggest at this time.

We appreciate the opportunity to offer our comments.

Sincerely,

Scott G. Lehman, CPA
Chair, Accounting Principles Committee

Ryan Brady, CPA
Vice-chair, Accounting Principles Committee

APPENDIX A

ACCOUNTING PRINCIPLES COMMITTEE
 ORGANIZATION AND OPERATING PROCEDURES
 2015-2016

The Accounting Principles Committee of the Illinois CPA Society (Committee) is composed of the following technically qualified, experienced members appointed from industry, education and public accounting. These members have Committee service ranging from newly appointed to more than 20 years. The Committee is an appointed senior technical committee of the Society and has been delegated the authority to issue written positions representing the Society on matters regarding the setting of accounting standards. The Committee's comments reflect solely the views of the Committee and do not purport to represent the views of their business affiliations.

The Committee usually operates by assigning Subcommittees of its members to fully study and discuss exposure documents proposing additions to or revisions of accounting standards. The Subcommittee ordinarily develops a proposed response that is considered, discussed and voted on by the full Committee. Support by the full Committee then results in the issuance of a formal response, which at times includes a minority viewpoint. Current members of the Committee and their business affiliations are as follows:

Public Accounting Firms:

Large: (national & regional)

Ryan Brady, CPA (Vice Chair)	Grant Thornton LLP
John Hepp, CPA	Grant Thornton LLP
David Jamiolkowski, CPA	Baker Tilly Virchow Krause, LLP
William Keirse, CPA	Ernst & Young LLP
Scott Lehman, CPA (Chair)	Crowe Horwath LLP
Reid Mitchell, CPA	Wipfli LLP
Elizabeth Prossnitz, CPA	BDO USA LLP

Medium: (more than 40 professionals)

Timothy Bellazzini, CPA	Sikich LLP
Christopher Cameron, CPA	Kutchins Robbins & Diamond Ltd
Michael Kidd, CPA	Mowery & Schoenfeld LLC
Matthew G. Mitzen, CPA	Frost Ruttenberg & Rothlatt PC
Krunal Shah, CPA	Mitchell & Titus LLP
Jeffery Watson, CPA	Miller Cooper & Company Ltd

Small: (less than 40 professionals)

Peggy Brady, CPA	Selden Fox, Ltd.
Marvin Hoffman, CPA	Bronswick, Reicin, Pollack, Ltd.
Brian Kot, CPA	Cray Kaiser Ltd CPAs
Joshua Lance, CPA	Joshua Lance CPA, LLC

Industry:

Rose Cammarata, CPA	CME Group Inc.
Anand Dalal, CPA	Toji Trading Group LLC
Ashlee Earl, CPA	Seaway Bank and Trust Company
Jeffrey Ellis, CPA	FTI Consulting, Inc.
Farah Hollenbeck, CPA	Abbvie
Marianne Lorenz, CPA	AGL Resources Inc.
Michael Maffei, CPA	GATX Corporation
Ying McEwen, CPA	CNH Industrial N.V.
Anthony Peters, CPA	McDonald's Corporation
Martin Ross, CPA	Riveron Consulting LP
Amanda Rzepka, CPA	Jet Support Services, Inc.
Richard Tarapchak, CPA	National Material

Staff Representative:

Gayle Floresca, CPA	Illinois CPA Society
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