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

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

Re: Three-Year Review of the Private Company Council

Dear Trustees:

We are pleased to respond to the Financial Accounting Foundation's (FAF) Request for Comment on the Three-Year Review of the Private Company Council (PCC).

We support the FAF in its efforts to evaluate the effectiveness of the PCC and to identify and address the needs of private company stakeholders. We believe the PCC has been largely successful in meeting its primary responsibilities and mission. We understand that many private companies have adopted the alternatives issued by the Financial Accounting Standards Board (FASB) as a result of the PCC's efforts. Stakeholders have indicated that these alternatives reduced complexity and streamlined financial reporting.

Our comments to the specific questions included in the Request for Comment are included in Attachment 1. Should you have any questions, please contact Scott G. Lehman at (630) 574-1605 or James A. Dolinar at (630) 574-1649.

Sincerely,

A handwritten signature in black ink that reads "Crowe Horwath LLP".

Crowe Horwath LLP

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 that the PCC's efforts to date to address the needs of users of private company financial statements have been successful. The private company accounting alternatives issued since the creation of the PCC have provided significant relief for private company financial statement preparers without sacrificing usefulness to users of financial statements. These alternatives have reduced the cost and complexity of preparing GAAP financial statements for many private company financial statement preparers and, in many cases, have reduced complexity and streamlined financial reporting.

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.

Whether formally referred to on a go-forward basis as the "look-back" phase or as part of the FASB's ongoing simplification initiative, we believe the PCC and FASB should continue to challenge whether additional private company accounting alternatives should be developed from existing GAAP. We note that the PCC currently has a substantial number of topics on both its current and forward-looking PCC agendas. Topics listed on these agendas include such areas as stock compensation, cash flow statements, put warrants, partnership accounting, and others. In addition, the PCC is actively engaged in providing feedback on numerous FASB projects.

In order to assist private company accounting alternative stakeholders in understanding the extent of the PCC and FASB's activities related to private company accounting alternatives, consideration could be made to creation of a document presenting ASC Topics considered, the decisions reached, and the basis for the decision to act on a particular topic or pass on developing an alternative. This would provide useful information for private company stakeholders.

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.

We believe that the PCC has been effective in assisting the FASB in its standard-setting process for active projects. PCC members have represented the needs of private company stakeholders by reviewing FASB standard-setting proposals and sharing feedback on potential impacts on private company stakeholders, including potential unintended consequences. We note that the PCC has provided value and constructive input to the FASB on such topics as revenue recognition, discontinued operations, going concern, leases and financial instruments to mention a few.

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 believe the PCC is currently operating as an effective advisory body to the FASB. In order to maintain this level of effectiveness, we believe the PCC should continue hosting or participating in periodic private company stakeholder town hall meetings and other outreach efforts to maintain awareness of new challenges faced by preparers and users of private company stakeholders.

Even in the absence of newly issued private company accounting alternatives, once the look-back phase is complete, private company stakeholders will likely continue to encounter challenges based on changes in the general business environment and the issuance of new accounting standards by the FASB.

Establishing a standard feedback and communication mechanism between FASB and PCC will be critical to ensure that private company stakeholder perspectives and feedback are obtained and considered while an item is still an active FASB agenda project so that those perspectives can be afforded proper consideration.

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 that the FASB has been appropriately responsive to the needs of private companies and the recommendations of the PCC. It is very important for the FASB to strike a balance between offering accounting alternatives for private companies and retaining one comprehensive set of accounting standards; therefore, it is reasonable that not all private company concerns or challenges would be addressed or implemented by the FASB in its standard-setting process.

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

We believe that the current standard-setting process for private companies is effective. One area the FASB could consider is whether the amount of staff available to perform research on behalf of the PCC with respect to private company matters is appropriate. Additional resources could allow the PCC to evaluate other accounting alternatives or resolve actions to move forward more timely.

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

The current structure of the PCC, in regards to size, composition, term length and responsibilities, appears to be appropriate.

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?

While the original plan envisioned oversight transferring to the Standard-Setting Process Oversight Committee (SSPOC), it is not clear why the current oversight approach is not effective, and with the focus as currently structured on PCC matters, there is some concern that incorporating that oversight to the SSPOC might reduce the PSS's effectiveness.

During the initial three years of operation of the PCC, the PCC's objectives, processes, and interactions with FASB were being carried out for the first time. During this period, it was prudent to establish a special-purpose Trustee committee to focus on these matters, the Private Company Review Committee (PCRC). We recommend allowing more time to determine the appropriate oversight model before shifting this responsibility to the existing Standard-Setting Process Oversight Committee is appropriate.

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

We agree that the PCC should continue transitioning toward advising the FASB on active agenda projects as its primary function. At the same time, we believe that the PCC and the FASB should still continue to evaluate whether additional private company accounting alternatives with respect to existing GAAP are necessary.

ATTACHMENT 1

As the PCC completes the look-back phase, there will be less structure and predictability around the nature and timing of interactions between the PCC and FASB. Therefore, we support the possible improvements that are focused on improving coordination and communication between and among PCC members and FASB members and staff, such as coordinating agendas, sharing feedback and updates, and providing sufficient time to review materials in advance of discussions. It will be critical for the FASB to update the PCC on all items added to its technical agendas and for the PCC to have a way to communicate private company stakeholder concerns to FASB in a timely manner.

In an effort to ensure that private company stakeholders have visibility to the input PCC provides as an advisory body to the FASB, one possible improvement noted in the request for comment was for PCC to provide substantive comment letters on proposed FASB standards. As we understand it, the FASB must address PCC considerations and recommendations in the basis for conclusions for all standards issued. We believe including PCC views in the basis for conclusions provides sufficient communication of the private company stakeholder considerations brought forth by the PCC during the FASB deliberation process and do not believe formal comment letters would be effective.

The PCC has been largely effective in carrying out its mission, in part, due to its focus on private company issues. The possible improvements includes a recommendation to expand the PCC's responsibilities to include public companies and not-for-profit (NFP) entities. While the PCC may identify changes that also benefit public entities, we believe their primary objective should be focused on private company matters, and not public entities.

Further, while NFP entities may benefit from the PCC's activities, we believe there are other groups and task forces that are actively involved in advising the FASB on NFP matters, such that the PCC should not add those entities to its responsibilities.

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

As the PCC Chair monitors adherence with the Framework, we suggest the PCC and FASB periodically review the private company decision-making framework to ensure it continues to meet the objectives set forth as well as achieving equal focus on retaining the relevance of financial information and reducing cost and complexity.

We encourage the FASB and PCC to clarify the guidance surrounding effective dates, transition and adoption options for private company accounting alternatives in an expeditious manner. Given their voluntary application, we believe one unintended consequence is that a private company may not be able to take advantage of the relief opportunities simply because the entity became educated about an alternative after the initial effective date. Given the many types of private companies that can adopt the alternatives, some may simply not become aware of an alternative until a much later date.

In addition, private companies might avoid adopting an alternative if they believe there are possible indications that they might become a public business entity in future. If the entity later determines they will not pursue the public markets and will in fact remain a private company, the entity would not be able to adopt one or more of the alternatives.

Another situation that has raised some concern involves private companies that have applied PCC accounting alternatives which subsequently get acquired by a public company. In these situations it is our understanding that companies are required to reverse the cumulative impact of the application of the alternatives. While an entity could likely reverse the impact if only a couple of years have taken place since adoption, as the number of years increases the difficulty to perform the reversal will likely increase. This requirement appears to be overly burdensome without a readily apparent benefit to financial statement users.