

SENSIBA SAN FILIPPO

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

PCC3YEAR
Comment Letter No. 39

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PCC Review
Financial Accounting Foundation
401 Merrit 7
PO Box 5116
Norwalk, Connecticut 06856-5116

Sent via e-mail to PCCReview@f-a-f.org

Sensiba San Filippo LLP is pleased to have the opportunity to respond to the Financial Accounting Foundation ("FAF") regarding the *Three-Year Review of the Private Company Council ("PCC")*.

We are a public accounting firm serving middle-market non-public companies in the San Francisco Bay Area, most of which are private organizations.

Below is our response to the questions in your request for comment.

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.

Response: *Yes. The PCC has been able to take on larger and more complex issues. We believe the accounting alternative regarding variable interest entities has been the most significant and has impacted our clients in a positive way. Previously, our clients would have to take GAAP departures or consolidate entities that the users would prefer were not consolidated. Clients have also found value in the interest rate swap accounting alternative as it simplifies the calculations tremendously. Although we see significant value in the accounting alternatives issued to date, the release of these alternatives has taken longer than expected and we would like to see more proposals from the PCC.*

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.

Response: *No. We believe that there are a number of unexplored or not yet addressed standards that warrant consideration of the Private Company Council for private company alternatives. We believe the following should be considered for review:*

- *accounting for stock options under ASC 718*
- *uncertain income tax positions*
- *lease accounting*
- *fair value accounting for investments*
- *revenue recognition*
- *disclosures for financing receivables*

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.

Response: *We believe the PCC has been involved as expected in the standard-setting process; however, it is still early to assess the effectiveness and impact on this process or the outcome. Certainly no recent standards have any unintended impact to private companies of which we are aware. Additionally, we appreciate the extra year being given to private companies to implement several of the more complex standards that have been issued of late.*

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?

Response: *The PCC should give more insight to potential standards that are being considered for private company accounting alternatives by providing opportunities for preparers to suggest and influence the prioritization of PCC initiatives.*

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?

Response: *The FASB has made significant improvements in attempting to address and respond to the needs of private companies, however, given the scope and number of private company reporters, there continues to be significant opportunities to better support this population of financial statement issuers. We do feel that the FASB has been responsive to most PCC recommendations.*

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

Response: *We would like to see a more detailed and elaborate process as it is difficult to tell whether the process has an impact on the FASB. We would like to see more authority given to the PCC and the ability to set its own standards, rather than be an advisory body. Otherwise, we believe the standard-setting process appears adequate.*

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

Response: *Currently, these factors appear adequate. If the PCC were to have time to accomplish more, it might consider adding additional members to task forces looking to tackle specific issues. For example, if contemplating stock based compensation issues, it might consider adding two additional CFOs and one additional practicing CPA who specialize in this area.*

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 these responsibilities in 2016?

Response: *We do not see any reason that the Standard-Setting Process Oversight Committee should not assume these responsibilities in 2016, although there is a need for committee members with expertise and attention to the needs of private companies.*

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

Response: *In general, we agree with substantially all the improvements. Specifically, we believe the improvements with the most importance are the following:*

- *working groups for select FASB projects*
- *consistent and continuous feedback mechanism*
- *PCC members should participate in outreach with private company stakeholders*

We disagree, however, that the PCC should transition to a body that primarily provides input on active FASB agenda projects as there are additional look back projects that need attention as outlined above.

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

Response: *We suggest a web-based survey for preparers and practitioners to be available on an annual basis.*

Thank you for your consideration of our comments. You may contact Karen Burns at 925-271-8629 or Kburns@ssflfp.com for any clarification or questions you may have regarding the above comments.



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