

May 11, 2015

PCC Review
Financial Accounting Foundation
401 Merrit 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: Three-Year Review of the Private Company Council

Dear Trustees:

This letter presents my personal views on the Financial Accounting Foundation's (FAF) Request for Comment on its Three-Year Review of the Private Company Council.

Summary of Overall Position

I was a big supporter of the creation of the PCC and so far I believe the PCC is accomplishing its mission. The PCC has made itself available to its private company constituents and works diligently to make sure it understand the issues facing private companies today. The public roundtables have gone a long way to not only allow private companies to share their concerns with the PCC but also educates the private companies on how the process works and what the PCC can do for them.

Responses to Questions for Comment

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.

So far, yes, while limited, I believe that the PCC has been successful in proposing alternatives within GAAP that address the needs of private company financial statements. PCC input has been instrumental with the new lease standard in making sure the FASB understands the issues faced by private companies.

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.

Since the recognition or measurement matters originally identified as the "low hanging fruit" issues have been addressed by the PCC or the FASB and I am not aware of any push for other basic GAAP issues to be addressed. Nor has the PCC identified any significant items at recent meetings.

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.

According to the Request for Comments, "The PCC works actively and closely with the FASB to provide recommendations for appropriate treatment for private companies on active FASB projects." Further,

“The PCC may vote to provide a recommendation to the FASB for appropriate treatment for private companies on active FASB projects.”

Because most of these communications are within the FAF organization (PCC to FASB and any response in return), it is difficult to assess the effectiveness of the PCC in assisting in the FASB’s process.

I believe that the requirement that the FASB specifically address any matters raised by the PCC in a formal comment letter in the basis for conclusions of a final pronouncement is imperative in people believing the FASB is taking private company matters seriously.

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?

The most important thing is that it has the right members and that perform in an effective manner. Ensuring there are members from varied backgrounds in accounting and finance who are active with private companies is imperative. The members must have a passion for ensuring that private company issues are heard. Having a strong chair as the leader is paramount as is having a rotation for members so as to have a good mix of experience and “new blood”.

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?

The reason for the creation of the PCC was the issue of complexity facing private companies. I have been very impressed with the response by the FASB to the PCC. The FASB staff and board members have worked well with the PCC. Even when they do not fully agree with the PCC, they listen and fully discuss the issue.

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

I am very thankful for the work the PCC has accomplished so far and am hopeful that it continues.

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

So far, it is working well, but, the size, compensation, term length or responsibilities should be reviewed every few years to ensure that the PCC stays relevant.

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?

I see no problem with this occurring as long as the Standard-Setting Process Oversight Committee has members who have private company experience (and not just experience auditing private companies).

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

I agree with the possible improvements.

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

The only improvement I can suggest is that the PCC needs to tell private companies what it is doing, especially with the things for which it advises the FASB. Right now, this is not seen so private companies do not understand how much work the PCC and FASB have done to consider the needs of private companies.

Thank you for the opportunity to comment on the Three-Year Review of the Private Company Council. I want to thank the PCC, FAF, and FASB for the strides that have been made the last two years and hope that this working relationship continues for many years to come.

Sincerely,



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