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“PCC Review,”
Financial Accounting Foundation,
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Three Year **Performance Review** of the Private Company Council

We gave faltering support to the establishment of the Private Company Council as a viable body to set alternative GAAP for private companies believing that one size does not fit all¹.

We have listened to the critics whose primary argument was the very slow creation of the PCC and the ‘sour grapes’ at having the accountancy profession’s initiative quelled by the FAF. The idea of not proliferating standard setting within our country persuaded us to support the PCC birth.

We have reviewed the performance as laid out in the call for comment and we opine that a separate comprehensive framework with alternatives for private companies should be the way forward. Entities should adopt the whole comprehensive framework suite and not be allowed to cherry pick.

The following are responses to the questions in the Request for Comment.

1. “... 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 feel that the promulgations to date are too few and reflect the subordinate approach (to FASB) so common for a defensive isomorphism.

¹ Judith A. Kamnikar, , Edward G. Kamnikar and Ashley Burrowes , One Size Does Not Fit All, Feature Financial Reporting, December 31, 2011 Journal Of Accountancy; <https://shar.es/1pMhUg>

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.

There are many extant FASB standards where private company needs are not addressed. E.g. income taxes, leases, post-retirement obligations, revenue recognition, business combinations, stock compensation, distinguishing liabilities from equity, fair value measurement and even financial instruments.

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.

Our response to Q.1. should be read here. There is little evidence that the PCC has been effective in assisting the FASB in its standard-setting process for active projects

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?

With the regrettable hegemonic relationship that the PCC has with the FASB/FAF it is difficult to understand how the PCC, as currently constituted, can be an effective advocate in advising the FASB.

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?

NO.

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

We repeat our call for a comprehensive framework for private companies and recommend that piecemeal adoption be prohibited.

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

The composition of the Council appears skewed in favor of large private concerns to the detriment of smaller entity representatives. We recommend that if the tone from the top is to reflect the mission of the PCC that a more representative, not necessarily larger, council be considered.

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?

Big brother syndrome? Why? Perhaps resource constraint on PCC.

N/A

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

We once again urge the PCC to take urgent action on implementing the recommendations of the AICPA Blue Ribbon Panel, espoused so well in its overview:

“These issues have caused a lack of relevance of a number of accounting standards for many users of private company financial statements and an overall level of complexity in U.S. GAAP that continues to concern preparers of private company financial statements and their CPA practitioners. Some members believe that GAAP is overly complex for public companies, too. Many Panel members believe that within the U.S. marketplace, significant, unnecessary cost is being incurred for GAAP financial statement preparation and audit, review, or compilation services. Thus, change is urgently needed.”

The morphing of the proposed juxtaposition, PCC, does not appear to be successful as subordination to the FASB is the harsh reality.

Thank you for the opportunity to comment on this matter. We would be happy to discuss our opinions with you further should you have any questions or require additional information.

Sincerely,

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This comment letter represents our own professional views.

Appendix A

Extract of Comment letter # 8 submitted on PCSWeC to FAF. 7367 respondents in total.

This comment letter represents my own professional views.

PrivateCompanyPlan@f-a-f.org Re: Comment Letter on Private Company Council Proposal

Dear Financial Accounting Foundation:

We am extremely disappointed at the ostrich syndrome being displayed by the FAF in dealing with the overwhelming call for an independent standard setting board for private company GAAP.

This isomorphic approach to protect the FASB turf will only result, at best, in a watered down version of the .

Of great concern, if my prediction is correct, is that users and investors will lose confidence in the standard setting process.

Given the numerous submissions to the Blue Ribbon Panel We think that the FASB should listen this time, instead of deflecting.

We urge you to join with the people and form a long standing union of consensus rather than mandating from atop the hill...
