



May 11, 2015

PCC Review  
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RE: Three-Year Review of the Private Company Council

Dear Trustees:

We are appreciative of the opportunity to provide feedback to the Financial Accounting Foundation with respect to the Private Company Council (PCC) and its activities over the past several years. The following comments are presented on behalf of the Accounting and Assurance Task Force of the Kansas Society of CPAs, a 2,700 member strong association. Our comments are identified by the specific questions in the Request 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 addresses the needs of users of private company financial statements? Please elaborate.*

In general we believe the PCC has been successful in addressing some of the larger issues (and more costly issues) faced by many private company financial statement users (largely owners and banks). There are likely instances where further progress could have been made but many private company owners have expressed appreciation for some of the cost saving measures now available to them while maintaining an appropriate, relevant and informative financial statement presentation.

We encourage the PCC, the FAF, the FASB and other interested parties to continue to develop education tools, implementation guidance and other resources that practitioners and business owners can utilize to better understand the alternatives, the ramifications of any changes and differences between electing the alternatives or not. When alternative accounting treatments are presented, it can create possible confusion. Therefore, robust tools and education should continue to be a part of any past and proposed alternatives.

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.*

It is somewhat difficult to conclude that the "look-back" phase is complete as we are unsure to what extent the PCC has evaluated and deliberated on all existing standards. The PCC has addressed several of the more "discussed" issues of concern to private company stakeholders, but there are likely others (specifically fair value, compensation issues, and pensions). There are likely disclosure requirements that could also be evaluated (fair value, pensions, etc.). Finally, with some of the alternatives only recently being available through the PCC process, we are not completely confident that these alternatives have been properly evaluated via a post implementation review.

There may be a need for the PCC to revisit the current alternatives in a post implementation review to ensure continued appropriateness, usefulness, etc.

- 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 the PCC has been effective in assisting the FASB in its standard setting process for active projects? Please explain.*

We understand that the PCC is now much more involved with the standard setting process from the beginning and through the deliberations, etc. However, it is unclear as to how active the PCC has been with the standard setting process as the transparency of comments, interactions, etc. between the PCC and the FASB could use additional clarity. We appreciate that the PCC's involvement in the standard setting process has now injected the private company sector's perspective on potential standards changes, and we believe the PCC's "seat at the table" has recently changed the mindset of the FASB somewhat to better incorporate concerns from the private company sector. This inclusion has likely led to significant cost savings within the private sector and should continue to yield cost savings while maintaining a high level of reporting.

- 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?*

One of the most important aspects for the PCC to focus on is that its members are right members who are actively engaged in the process on behalf of the private company sector. Continued outreach from the PCC should be a priority to ensure the members are connected to the issues being dealt with by stakeholders. Further, continued communications and clarity of the PCC's actions should be encouraged. Finally, we would encourage the PCC to continue to seek out a member from the smaller strata of the private sector to ensure a representative Council of the private sector.

- 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 of the PCC?*

We believe the establishment of the PCC, the accomplishments to date of the PCC and the willingness of the FASB to work with the PCC on past standards as well as future standards demonstrates that there has been an appropriate response to some of the needs of private companies. We encourage the FASB to continue to closely work with the PCC to ensure continued evaluation of future standards and the impact on private companies. There is currently a lot of momentum around the different needs for private companies and the loss of that momentum would be disappointing.

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

We have mentioned a few suggestions in responses to other questions above. Specifically, we encourage continued and robust outreach from the PCC. There are numerous organizations and bodies that are specifically working on behalf of private companies that would be good resources (such as IMA, TIC, PCPS, state societies, etc.). In addition, we believe the PCC should continue to evaluate complex topics on behalf of private companies including, investments (fair value), pensions (and related disclosures), and leases. Further, there is still a perception that SEC and PCAOB regulation trickle down could continue to be an issue to be addressed in the future.

Therefore, the PCC needs to maintain diligence and stay active in the standard-setting process from a proactive basis to ensure ramifications to private companies are considered.

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

We believe staggered rotation is appropriate to ensure fresh ideas and perspectives without losing any built up institutional knowledge and experience. We also feel the current size of the PCC is adequate and likely should not decrease. However, if the work load goes up with additional involvement from PCC members in the standard setting process, it may be necessary to increase the number of members; but at this time, there isn't a clear need for change. We continue to encourage the PCC to engage members from all "strata" of the private company sector including representation from various types of users (regional banks, private company owners or governance, internal and external auditors, etc.).

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 the responsibilities in 2016?*

This transition should not be a problem as long as the oversight committee consists of members with a high level of experience within the private sector. The lack of private sector experience within the oversight committee would be counter to the intent of the current process. Further, we feel it is important for the oversight committee to maintain some level of transparency so that stakeholders can maintain confidence in the continued processes of the PCC.

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

We agree with the possible improvements mentioned in conjunction with our comments mentioned above.

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

We would continue to encourage the PCC and FASB to work expeditiously in the standard setting process to ensure timely standards. We have no further comments other than those noted above.

Again, thank you for the opportunity to comment on the activities of the PCC and its interactions with the FASB. We welcome any questions or feedback from the FAF or the PCC as they continue to refine the standard setting process for private company financial statement users.

Sincerely,



M. Aron Dunn, Chair  
KSCPA A&A Task Force