



May 15, 2015

Financial Accounting Foundation Board of Trustees
Via email: PCCReview@f-a-f.org

Re: Request for Comment: Three-Year Review of the Private Company Council

Members of the FAF Board of Trustees:

The Accounting & Auditing Committee of The Ohio Society of CPAs is pleased to provide comment on the above-referenced Request for Comment. Responses to the specific questions in the document follow:

- 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.***

Absolutely, the activity to date and specifically the four standards issued in 2014 were of great benefit to private companies. We commend the PCC's ability to provide private company alternatives in a timely manner.

The Private Company alternative to Goodwill accounting has been a big win for private companies. The amortization option and the reduced requirement for a fair value measure has saved both private companies and their outside accountants significant time and reduced the cost of financial reporting without impacting the use or understanding of the financial statements. Accomplishment of this standard was an important early win for the Council.

The recent Accounting Standards Update on Accounting for Identifiable Intangible Assets in a Business Combination is another significant standard win for private companies and their outside accounting firms. The determination of value for these types of assets is often a complex area of accounting and for companies that do not routinely enter into these transactions it is an area of confusion and conflict. This Standards update provides a very useful option to remove the confusion and conflict.

The interest rate swap alternative should be an effective standard for private companies who are simply attempting to lock in a fixed rate on a portion of their outstanding debt. Most private company financial statement users understand that when an interest rate swap is in place it is simply the company locking in a portion of its variable rate debt to a fixed rate for the stated length of time.

The VIE guidance for Common Control Leasing arrangements is also an example of incorporating practicality into private company financial standards.

The users of private company financial statements have a heightened sensitivity to the issuer's future cash flows including their ability to meet future required debt payments. The alternatives to date don't seem to have impacted the user's ability to evaluate a company's cash flow.

- 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 seems that addressing areas of fair value accounting and the measurement approaches might still be an area where the PCC could have a beneficial impact. However now turning their attention to current standard monitoring (see item 3 below) seems an appropriate use of their time and effort.

- 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.**

The PCC's existence as a private company voice to the FASB board is valuable both in perception as well as in effectiveness. While the profession expects that the FASB Board considers the needs of all users, historically the issues that FASB must address are by their nature large scope matters. It is valuable to the profession to know that there is a specific advocate that can address areas where standards might have unintended consequences or create unnecessary burdens. An advocate is needed as most privately held companies are removed from the accounting standards process and decision making. All too often private companies don't consider proposed changes and are solely reactive with implementation after standards have been changed.

- 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 PCC needs to insure that it has a mechanism for outreach to its stakeholders. This may already exist and just needs to be publicized more. The Town hall meetings are a good, but costly, way to hear the opinions of stakeholders. There are many effective alternatives:

possibly a dedicated website or via CPE sessions to let stakeholders know what has been done and what is on the agenda as well as to see what areas of their financial statement reporting Private Companies are still struggling with.

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?*

It appears that they have been; the PCC had 4 major standards issued in 2014 that have been very useful for Private Companies.

As mentioned in answer #1, many privately held companies don't employ the resources to properly address and account for certain complex accounting matters, especially those they infrequently experience. As a result, the issuer often turns to the outside auditor for assistance which, at times, causes the independence line to get blurred. The alternatives already provided from the PCC have aided these situations by permitting simple accounting alternatives.

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

No the process appears to be working. The challenge as this group moves forward will be that the PCC will probably not receive the same publicity for their role in the Standard setting process since the standards will not be issued specifically from the Private Company Council but rather the PCC impact will be within Standards being addressed by the overall FASB board.

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

If the consensus is that the "look-back" phase (item 2 is complete) then the proposal of rotating the board in 1/3 increments is fine. This will keep fresh views coming to the group and since the focus will be on supporting the FASB Board on current issues there will not be a big loss from continuity changes. If however there is still "look-back" work that is in progress the FAF may not want such a high level of turnover until that work is completed.

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?*

No

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

No comments from the committee.

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

Our responses under items #2 and #3 are the suggestions that we would make at this time. Continue to be the voice for Private Companies; it is very much appreciated. Clarification on electing to apply the alternatives after the effective date and additional alternatives, such as revenue recognition, will need to be addressed.

The committee appreciates the opportunity to respond to the FAF Request for Comment. If you have any questions, please contact us at the below email addresses.

Best Regards,

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