



May 11, 2015

PCC Review
Financial Accounting Foundation
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Re: Three-Year Review of the Private Company Council

To Whom It May Concern,

The North Carolina Association of Certified Public Accountants (NCACPA), representing over 14,000 North Carolina CPAs in public practice, industry, government, and education, welcomes the opportunity to respond to the *Request to Comment, Three-Year Review of the Private Company Council (PCC)*. The NCACPA Accounting & Attestation Committee deliberated the exposure draft and submits the following responses:

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.

In the 2-3 years the PCC has been in place, we believe they have been very successful in proposing alternatives for private companies. The four ASUs issued to date have been in areas of critical importance to private company stakeholders. It also appears the influence of the PCC has gone beyond their immediate charge and into the overall process of all FASB dealings. For example, many items that began on the PCC's agenda and were later added to the FASB agenda, including development stage entities, were indeed key changes. Each change was successful in providing private entities with a measurement alternative that maintained the integrity and usefulness of the financial information to private company users, while removing unneeded complexities for the preparer. We felt the issues initiated by the PCC closely aligned with the priorities of the stakeholders requesting reductions regarding the burdensome complexity of applying certain accounting standards within the Codification. We hope the PCC will continue to be proactive in contemplating alternatives. A true review of their success largely depends on the FASB's (and the FAF's) openness to change.

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.

While the PCC has done considerable work, we believe that the look-back phase is not quite complete. Other areas we feel the PCC could review are: stock options, related party debt, debt verses equity transactions, uncertain tax positions,



fair value disclosures, and other comprehensive income. In addition, we believe the PCC should reserve the right at any time to perform a "look back" should items come to their attention in the future.

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.

Absolutely. It seems almost every ASU lately has the private company in mind on some level. We have been pleased with the FASB's apparent mindset change to routinely seek the counsel of the PCC. In our review of meeting agendas and discussions with FASB members, the PCC has taken an active role in advising FASB on projects FASB has considered and is currently considering. The PCC has had a very active agenda of look back items. Their agendas have addressed some of the larger FASB projects, including leases and revenue recognition. However, the final lease standard has not yet been issued, so it's difficult to comment on whether or not the PCC has been effective with this particular agenda. Additionally, revenue recognition was already well along by the time the PCC started discussing it. However, we believe they will serve a vital role in the future.

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?

We do not have any suggestions to make at this time.

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?

We believe FASB has been responsive to the PCC and the needs of private companies. They have participated actively in the discussions and provided guidance and history when needed. We would like to note, however, FASB was well aware of the pain points from private company users. As such, FASB initially addressed the pressing items. What we will want to monitor is how proactive and responsive FASB will be regarding future standards.

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

We believe the standard-setting process has been successful. While we feel a separate board for creating a separate private GAAP would be preferable, as it currently stands, we do not have any other changes to propose. We hope the members of the PCC will continue to have a significant influence on FASB proposals.

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

We believe the size, composition, and term length are appropriate. We believe additional guidance should be provided on the responsibilities of the PCC.

Question 8 - When the Trustees established the PCC in 2012, the Trustees envisioned 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?



We believe the current process has been very successful and that shifting oversight responsibilities to the existing Standard-Setting Process Oversight Committee is not warranted. The direct supervision by the FAF provides a level of significance and legitimacy to the PCC which should not be removed.

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

We support the continued establishment of working groups for FASB projects and research topics. We suggest the PCC increase their efforts in regards to "look back" issues.

We believe the PCC should not fully transition to an advisory body. We believe that maintaining the look back capabilities of the PCC is important as future items are identified. We agree more time should be devoted to current FASB projects, but do not believe the PCC should be just an advisory body.

We believe the PCC's mission is specific to private companies and that the NAC provides similar services for NFPs. We do not believe the PCC should involve itself in public company or NFP items. Instead, we feel separate groups comprised of users, preparers, and analysts should be utilized to provide advisory or look back work for those entities.

We agree the PCC Chair should continue to ensure the use of the Framework for identifying and developing alternatives.

We also believe there should be increased outreach with private company users to find additional areas where alternatives are needed.

We have no comments regarding how PCC should communicate to private company stakeholders. We feel the meeting minutes provide adequate information for interested parties.

We believe the full PCC should be involved in identifying agenda items. We do not believe the PCC should be involved in identifying agenda items for public or not-for-profit organizations.

We strongly believe consistency is of critical importance and having a minimum number of meetings allows for that consistency. If there is no requirement for meeting, the number of meetings could potentially fall off and, in our opinion that would adversely impact the relevancy of the PCC. Having consistently scheduled meetings and discussions encourages familiarity between the various parties and facilitates identification of items for future agenda topics.

We support regular conference calls and/or web conferences between meetings to provide consistent and continuous feedback to the FASB and staff.

We have no opinion on advance meeting materials.

We agree the Financial Accounting Foundation (FAF) should seek individuals with private company expertise to advise FASB.

We have no opinion on experience in the surety industry.

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

We have no other suggestions. We look forward to the PCC continuing to provide a voice for private entities.



If you would like additional discussion with respect to the attached comments, please contact Melisa Galasso, CPA, Chair of the NCACPA Accounting & Attestation Committee, at 704.940.2650. This response was approved for release by Daniel L. Purvine, CPA, NCACPA Chair, and Donna S. Taylor, CPA, NCACPA Chair Elect, on May 11, 2015.

Sincerely,

A handwritten signature in black ink that reads "Melisa Galasso". The signature is written in a cursive style.

Melisa Galasso, CPA, Chair
NCACPA Accounting & Attestation Committee

cc: Daniel L. Purvine, CPA, Chair, NCACPA Board of Directors
Donna S. Taylor, CPA, Chair Elect, NCACPA Board of Directors
James T. Ahler, CAE, NCACPA CEO
Sharon H. Bryson, M.Ed., NCACPA COO
L. Nikki Vann, CPA, Staff Liaison, A&A Committee