

September 30, 2016

The Private Company Council (PCC) met on Friday, September 30, 2016. Below is a brief summary of issues addressed by the PCC at the meeting:

FASB Projects

The FASB staff delivered updates (and the PCC provided input) on the following FASB projects:

- **Balance Sheet Classification of Debt**. The PCC discussed the three approaches that the FASB staff developed for proceeding with the project:
 - A. Classification principle based on legal terms, with an exception (and separate presentation) for waivers of debt covenant violations received after the reporting date but before the financial statement issuance date (continue with the Board's tentative decisions);
 - B. Retain current GAAP in its entirety; remove the project from the technical agenda; and
 - C. Adjust the project objective to focus on targeted areas.

There were mixed views among members of the PCC concerning which approach should be pursued.

- **Distinguishing Liabilities from Equity**. The PCC discussed the topic, which was identified in the FASB's Invitation to Comment: *Agenda Consultation*, and agreed it was an area of financial reporting in need of improvement.
- **Consolidation: Applying VIE Guidance To Entities Under Common Control**. All members of the PCC were in favor of a scope exception, with additional disclosure, that exempts private companies under common control from having to apply Variable Interest Entity (VIE) guidance in Topic 810. There were mixed views on whether the exception should be required or optional. Some members asked the FASB staff to explore ways to include safeguards in the exception to prevent potential structuring opportunities.
- **Liabilities and Equity—Targeted Improvements**. The PCC discussed the Board's tentative decisions in this area and a disclosure-only private company alternative to account for equity-classified financial instruments with "down round" features (strike price adjusts down based on the pricing of future equity offerings). A majority of the PCC did not believe that the Private Company Decision-Making Framework supported a private company-only alternative.

The next PCC meeting will be held on Tuesday, December 13, 2016. For more information on PCC projects, visit the [PCC website](#).

PCC Meeting Recaps are provided for those interested in following the activities of the PCC. Official positions of the PCC and the FASB are reached only after extensive due process & deliberations. More details on the PCC's input on the FASB's projects can be found within the meeting minutes, which will be published on the PCC website in the coming weeks.