

Private Company Council

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June 6 & 27, 2013



The views expressed in this presentation are of the presenter. Official positions of the PCC and the FASB are reached only after extensive due process & deliberations.



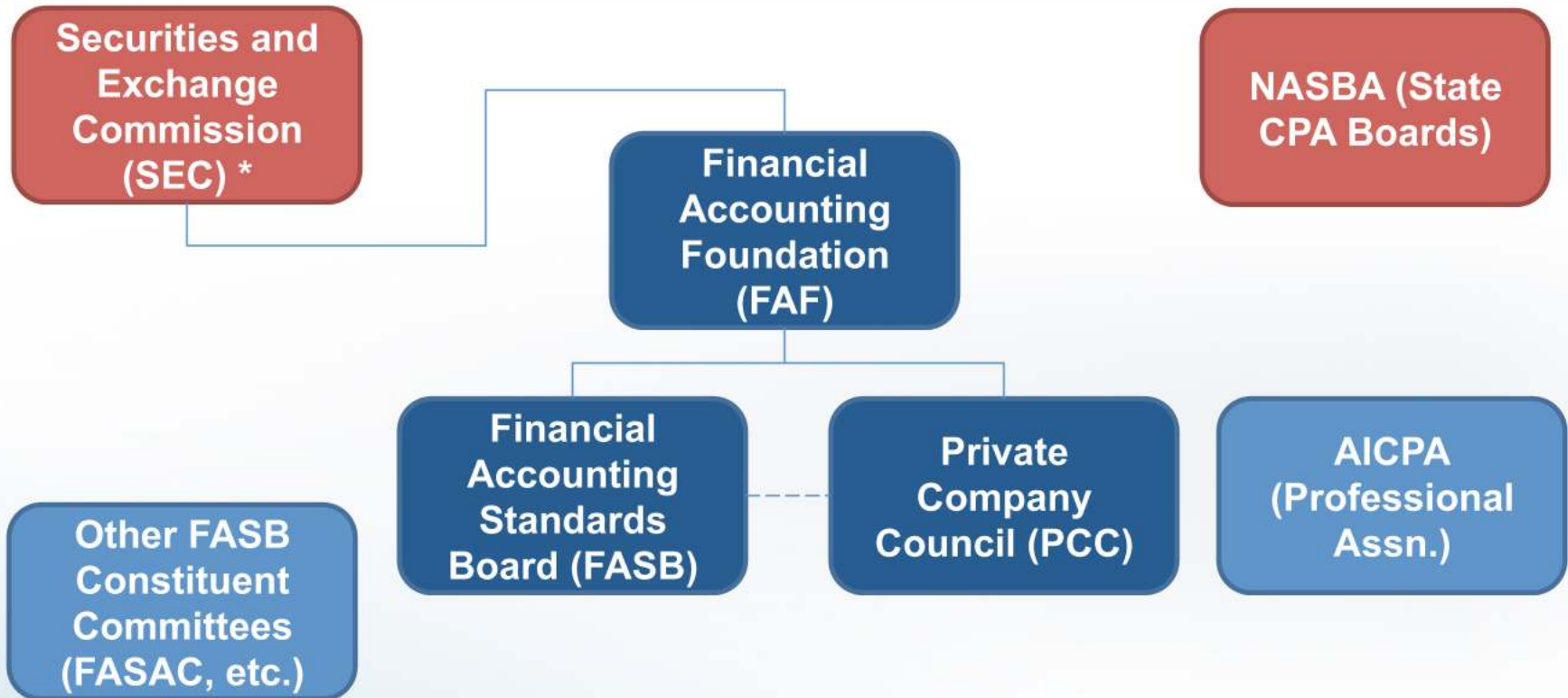
What We Will Discuss Today

- **Perspective on the FASB**
- **What is the Private Company Council?**
- **PCC activities to date**
- **Summary**

Landscape Private Company Reporting Issues & Stress

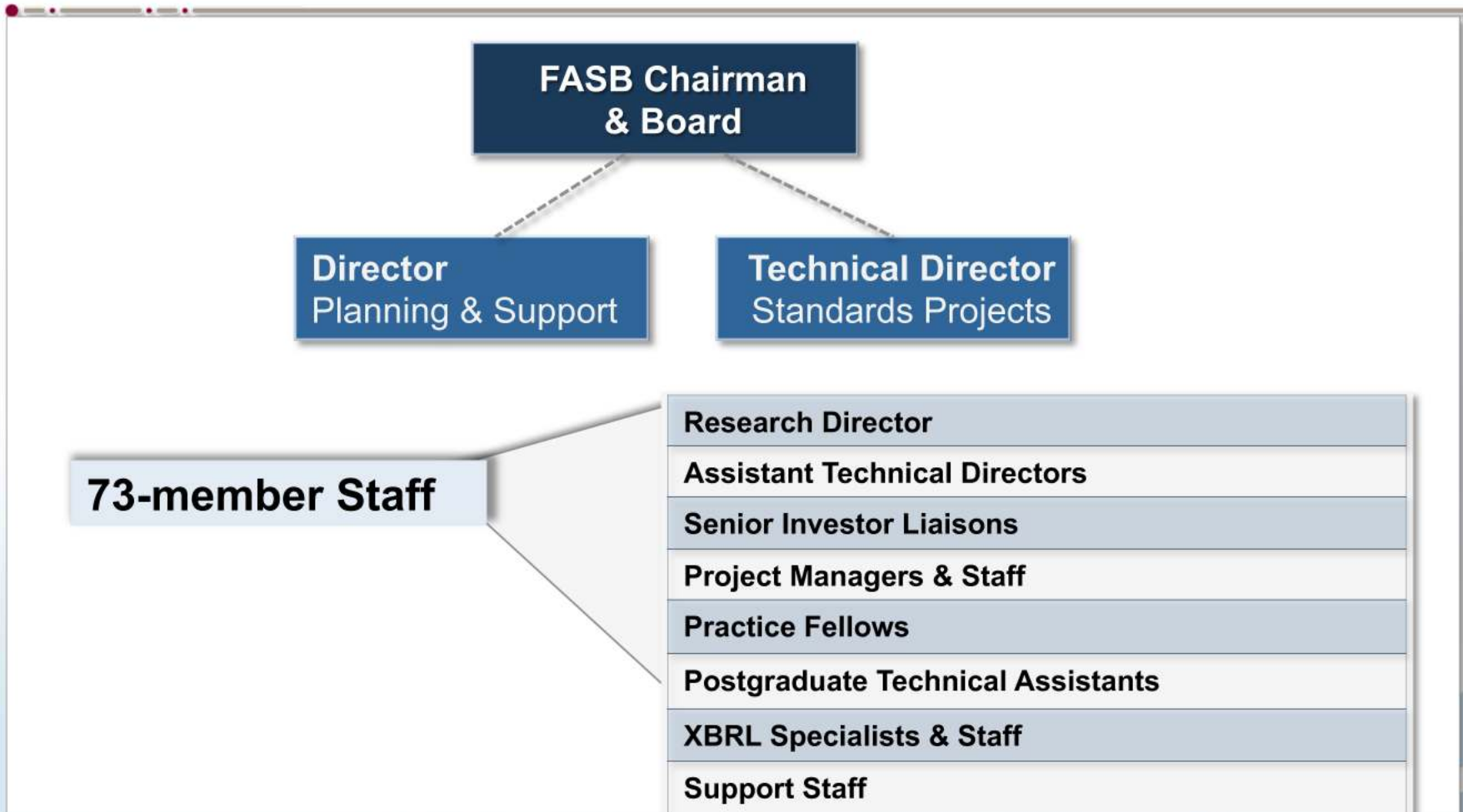


U.S. Standard Setter – Public & Private



(*) In addition to the accounting and reporting rules set by the FASB for all US companies, US public companies must also adhere to the regulations established directly by the SEC.

FASB Organization



FASB: Standards (Work Products)

FASB Accounting Standards Codification™

- Authoritative U.S. GAAP



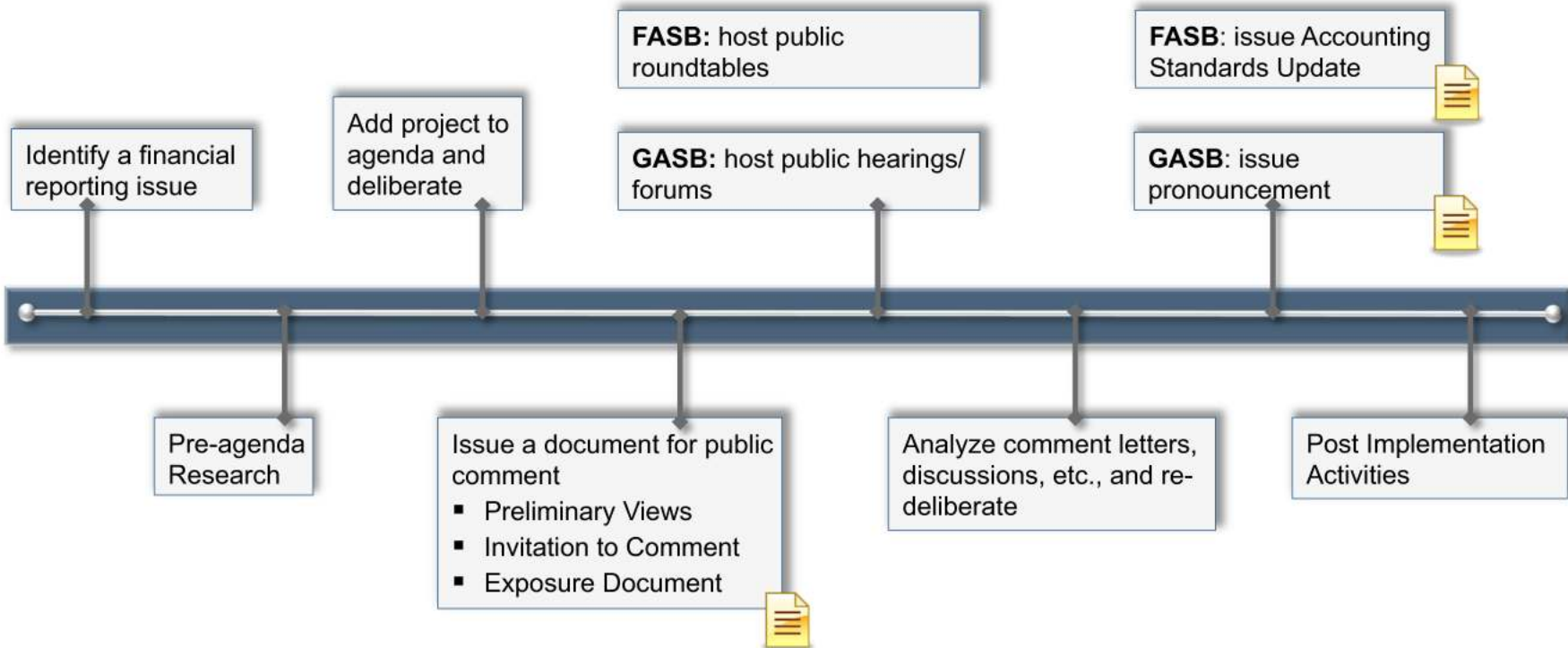
Accounting Standards Update (ASU)

- *Authoritative* when adopted
- How & why Codification amended



FASB-GASB: Standard Setting Process

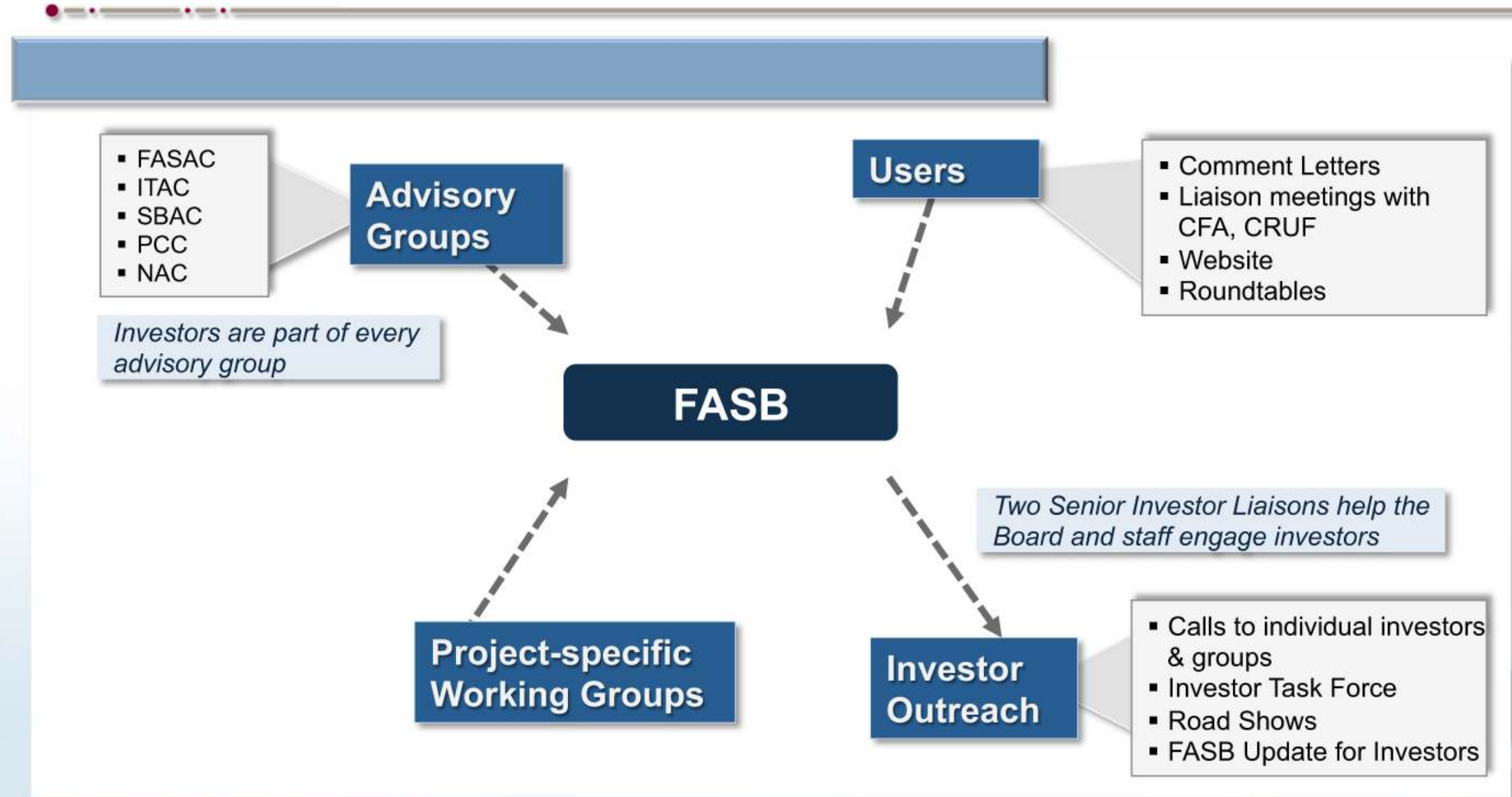
Outreach



Broad Participation



FASB: Engaging Users



Emerging Issues Task Force

Mission: assist FASB through the timely identification, discussion, and resolution of financial accounting issues within the framework of existing authoritative literature

Chaired by FASB Technical Director

Observers (AcSEC, SEC, IFRIC)

Agenda established by FASB Chair

Private Company Council

Established by FAF on May 30, 2012; overseen by FAF

to improve accounting standard-setting process for private companies

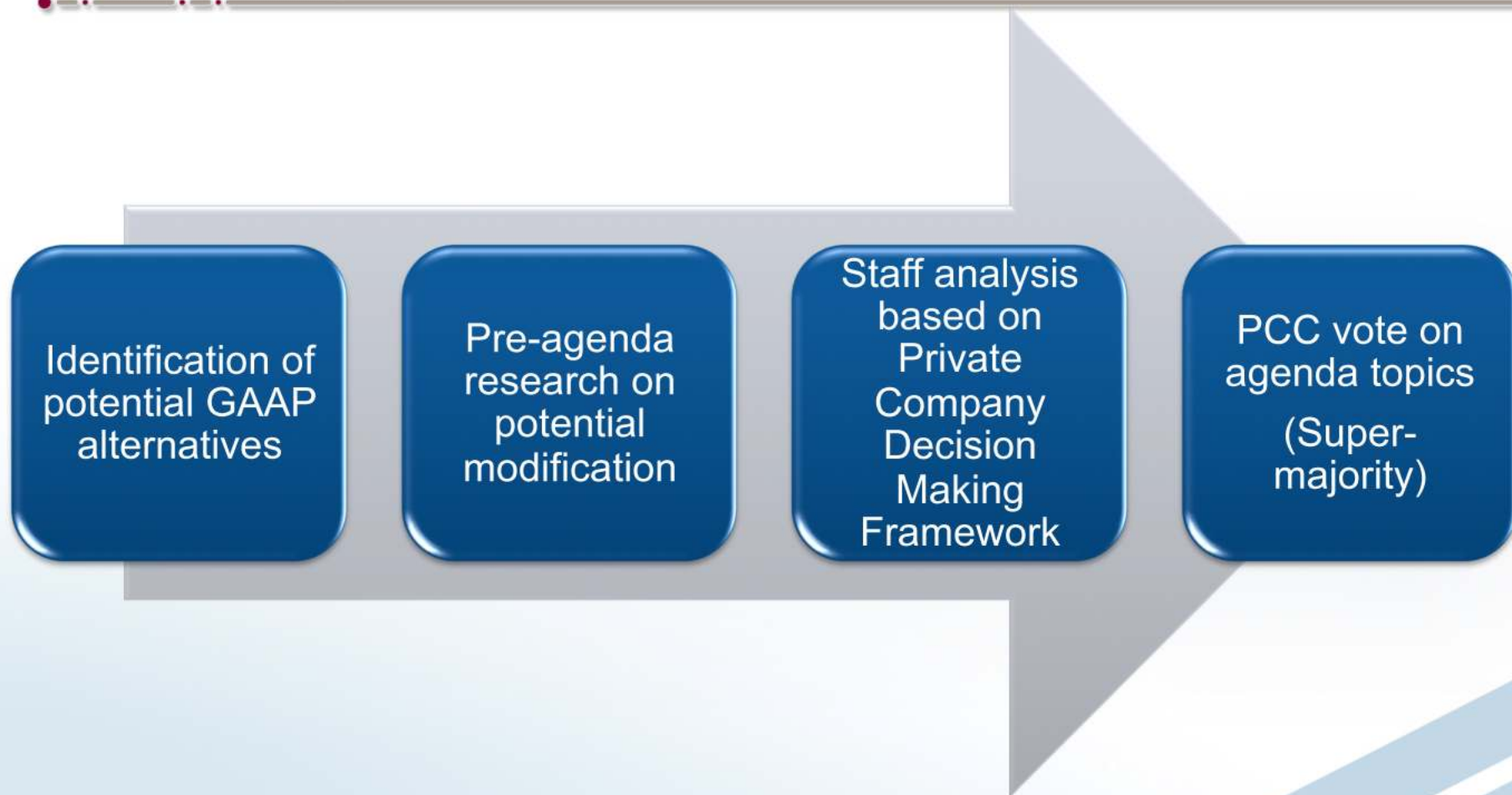
Identifies, deliberates & votes on proposed alternatives within existing U.S. GAAP for private companies

- Based on agreed-on criteria w/FASB (PCDMF)
- Subject to FASB endorsement and public due process

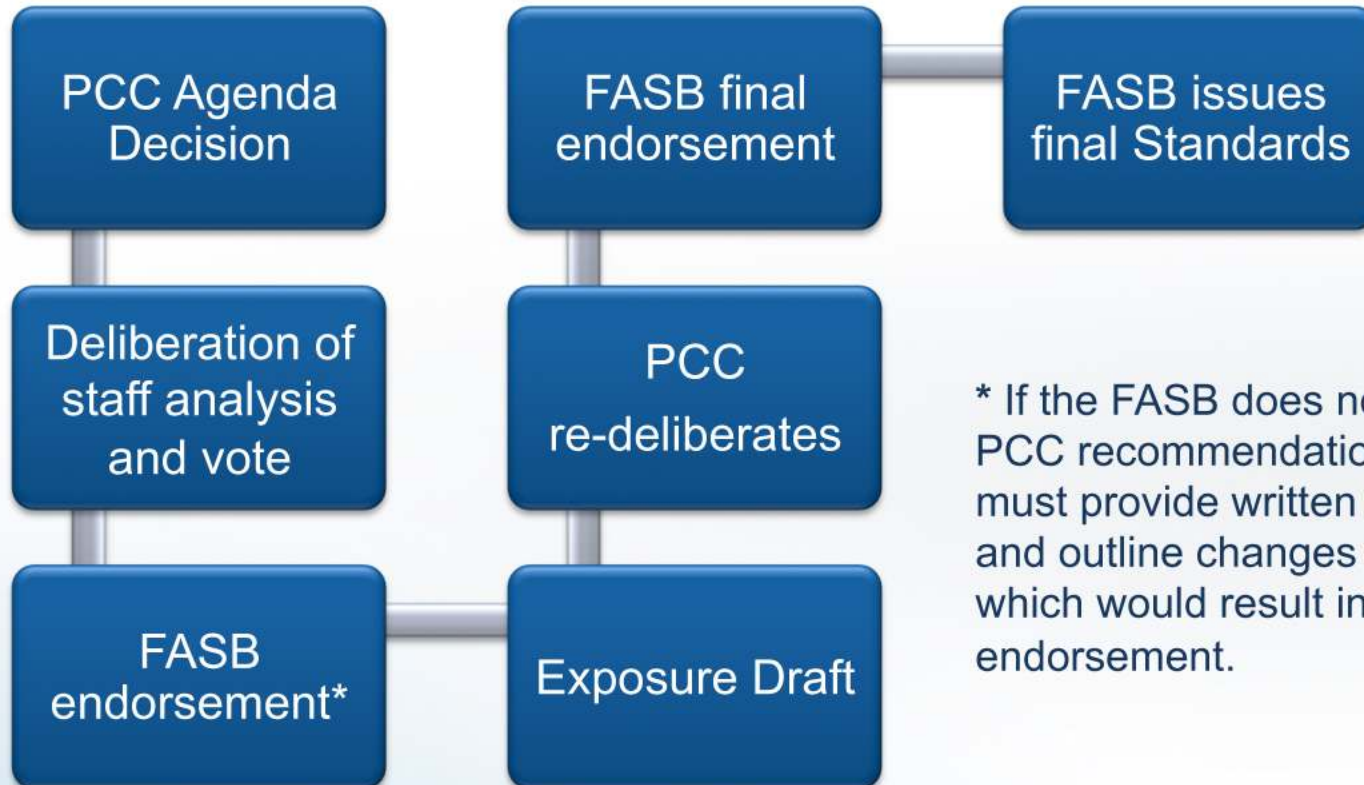
Primary private company advisory body to FASB on active FASB projects



PCC Proposed Agenda Process



PCC Standard-Setting Process



* If the FASB does not endorse a PCC recommendation, the FASB must provide written notification and outline changes to the PCC which would result in endorsement.

Endorsement Process and Voting

- ***PCC uses agreed upon criteria to identify, deliberate and vote on GAAP alternatives***
 - ***Two-thirds (supermajority) vote required***
- ***FASB endorsement process for PCC recommendations by simple majority***
- ***FASB expected to act within 60 days***



Private Company Council

If FASB endorses...	If FASB does not endorse...
Public comment/due process	FASB provides PCC chair with written notice
PCC redeliberates & votes (supermajority)	FASB outlines changes that could result in endorsement
FASB makes final endorsement (simple majority)	
FASB issues Accounting Standards Update (ASU)	

Interacting with the FASB

- ***Endorsement process***
- ***FASB liaison***
- ***FASB staff support, agenda research and outreach***
- ***FASB attendance at PCC meetings***



PC Decision-Making Framework

Tool for the PCC and the FASB

ID & provide alternatives within U.S. GAAP in 5 areas based on differential factors (types of users, access to management, etc.)

- 1) Recognition and Measurement**
- 2) Display (Presentation)**
- 3) Disclosures**
- 4) Effective Date**
- 5) Transition Method**

Apply to PCC look-back projects and to ongoing FASB projects

1st PCC Meeting – December 6, 2012

PCC decided on four areas for pre-agenda research

Various intangible assets (other than goodwill) acquired in business combinations

Variable Interest Entities (VIEs)

“Plain vanilla” interest rate swaps

Uncertain Tax Positions (FIN 48)



2nd PCC Meeting – February 12, 2013

PCC adds three formal agenda items

- VIEs (focus on related party arrangements)
- Certain “plain vanilla” interest rate swaps (while continuing research on others)
- Various intangible assets acquired in business combinations (including goodwill and its amortization & impairment)

Items for pre-agenda research

- Stock-based compensation
- Development stage enterprises

Expose PCDMF for public comment for 90 days



2nd PCC Meeting – February 12, 2013

PCC Discussions on current FASB projects

- Definition of a nonpublic entity
- Going Concern
- Revenue recognition transition
- EITF's recognition of pushdown in certain circumstances

Fate of Accounting For Uncertain Tax Positions

- Members didn't identify specific practice issues that require immediate attention
- Desire to continue to solicit feedback from stakeholders

Continued staff research on interest rate swaps with one or more counterparty or lending arrangement



3rd PCC Meeting – May 7, 2013

PCC Issue 1 - *Accounting for Identifiable Intangible Assets in a Business Combination and Subsequent Accounting for Goodwill*

- Relief from separately recognizing certain intangible assets acquired in a business combination
- Allowing for the amortization of goodwill and a simplified goodwill impairment model

PCC Issue 3 - *Accounting for Receive-Variable, Pay-Fixed Interest Rate Swaps (would NOT apply to financial institutions)*

- Allowing two simpler approaches to accounting for certain types of interest rate swaps when a private company intends to economically convert the interest rate on its debt.



3rd PCC Meeting – May 7, 2013

Next Steps

- **PCC Issue 2** - *Applying Variable Interest Entity Guidance to Common Control Leasing Arrangements*
- **Preagenda item** - Stock-based compensation
- **Preagenda item** - Development stage enterprises



Potential PCC Topics

Feedback on Potential PCC Topics

- Future Roundtables/Town Hall Meetings
- Stakeholder Concerns & Input

Accounting Topics for Consideration



Summary

- PCC is Integrated into the FASB Diligence Process
- PCC has identified & is in pursuit of initial significant issues
- PCC is now seeking relevant issues input from Private Stakeholders
- Routine Roundtables & Town Hall Events are now being planned

Questions?

