



National Association of State Boards of Accountancy

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Financial Accounting Foundation  
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Via Email: [PCCReview@f-a-f.org](mailto:PCCReview@f-a-f.org)

**Re: *Review of the Private Company Council Request for Comment***

Dear Trustees and Staff of the Financial Accounting Foundation (FAF):

The National Association of State Boards of Accountancy (NASBA) appreciates the opportunity to comment on the Financial Accounting Foundation's (FAF) Request for Comment on its *Review of the Private Company Council* (Request for Comment). NASBA's mission is to enhance the effectiveness and advance the common interests of Boards of Accountancy (State Boards) that regulate all Certified Public Accountants (CPAs) and their firms in the United States and its territories, which includes all audit, attest and other services provided by CPAs. State Boards are charged by law with protecting the public.

In furtherance of that objective, NASBA offers the following input on the Request for Comment.

### **General Comments**

NASBA was fully supportive of the creation of the Private Company Council (PCC) in 2012 and remains steadfast in its continued support. We believe an independent standard setting process for all financial accounting standards is in the public interest. We assert that providing GAAP alternatives to reduce complexity for private companies is warranted and remain convinced that this role be maintained under the purview of the FAF. We also believe that the FAF's and the Financial Accounting Standards Board's (FASB) continued support of the PCC and its mission is crucial.

We do offer one overall caution from a public protection perspective. The optional use of private company standards presents the risk of public confusion over the information presented in private company financial statements. We recommend that, in assessing future proposals, consideration be given to both increasing alerts to users as to the election of private company standards as well as increasing the degree of outreach to users to ensure that the possibility of confusion is minimized.

## **Request for Specific Comments**

*1. A principal responsibility of the PCC is to serve as the FASB's primary advisory body on the appropriate treatment for private companies on issues that the FASB is actively considering. Do you think that the PCC has been effective in assisting the FASB in its standard-setting process for active projects? Please explain.*

NASBA believes that the PCC has been effective in assisting the FASB in its standard-setting process for active projects, although we believe more aggressive consideration of GAAP alternatives in some focus areas such as leases would have been appropriate and should be considered in the future.

*2. 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?*

NASBA believes that the PCC has been effective in advising the FASB on issues under active consideration. We think it is extremely important for the FASB members to continue to participate in PCC meetings to fully understand the perspectives represented.

*3. Another key 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 think that the PCC has been successful in proposing alternatives within GAAP that address the needs of users of private company financial statements? Please elaborate.*

NASBA is concerned that the PCC seems to be so highly focused on consultation regarding active FASB projects (which we acknowledge to be very important) that this second aspect of its responsibility has been marginalized. The focus on proactively addressing possible alternatives that could reduce the burden on private companies seems to have waned in recent years and should be reinvigorated. Consideration could be given to reverting to allowing the PCC to set its own agenda for this aspect of its mission. This might allow for more freedom to consider new organic topics for consideration to reduce complexity.

*4. Do you think that the FASB has been appropriately responsive to the needs of private companies and the recommendations from the PCC?*

Generally, we agree that the FASB has been responsive to the needs of private companies. We recommend that one FASB seat be devoted to an individual with extensive private company expertise. We appreciate that a member of the FASB is appointed as a liaison to the PCC; however, we believe the voice of the needs of private companies could be elevated with this change.

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

We generally believe the standard-setting process for private companies is appropriate, although we have noted enhancements within this response letter. To reiterate, we believe that it is extremely important for FASB members to continue to participate in PCC meetings to fully understand the perspectives presented. In addition, we recommend that one FASB seat be devoted to an individual with extensive private company expertise.

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

NASBA encourages the FAF to continue to enhance its recruitment and identification process in selecting candidates to serve on the PCC. Highly technical individuals who work primarily and extensively as preparers, practitioners and investors with or lenders to private companies are crucial to the PCC achieving its mission. As part of this enhancement, consideration should be given to further expanding communications regarding open positions and the application process. Consider asking organizations, such as NASBA and others, to promote the application process to widen outreach for nominations. We also believe it is important that the FAF ensure those with expertise with smaller private companies be represented on the PCC.

*7. What other organizational or procedural improvements to the PCC or its process would you suggest and why?*

Though the PCC has undertaken significant outreach, NASBA is concerned that many preparers, practitioners and investors are simply not engaged in following or providing input into the ongoing activities of the PCC. They do not fully understand their ability to have an impact in reducing complexity in private company accounting standards by providing input. We encourage the FAF and the FASB to continue to work with the PCC to enhance its visibility by improving external communications regarding the work of the PCC and to continue to promote broader outreach and input mechanisms. This should include a description of the role of the PCC and examples of reductions in complexity of financial accounting standards already achieved which provide context when asking for input on other areas of complexity for review consideration.

NASBA has no other suggested organizational or procedural improvements to the PCC or its process.

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We appreciate the opportunity to provide input on the Request for Comment.

Very truly yours,

Handwritten signature of Stephanie M. Saunders in black ink.

Stephanie M. Saunders, CPA  
NASBA Chair

Handwritten signature of Ken L. Bishop in black ink.

Ken L. Bishop  
NASBA President and CEO