



May 8, 2015

Board of Trustees
Financial Accounting Foundation
401 Merritt 7
Norwalk, CT 06856-5116

Re: PCC Review

Dear FAF Trustees:

The American Institute of Certified Public Accountants (AICPA) appreciates the opportunity to review and provide input into the February 2015 Request for Comment (Request) on the Financial Accounting Foundation's Three-Year Review of the Private Company Council.

We applaud the spirit, commitment, and dedication demonstrated by the FAF, the FASB Board, the PCC, and the FASB staff. The combined efforts to date have shown that all parties involved have been listening to the private company constituencies. Regardless of how many constituents take the time to write a letter to FAF, we can assure the FAF, based on our vast contacts with private companies and their public accounting firms, that the FASB/PCC output has been extremely well received and appreciated, and these same constituents look forward to continued momentum in aggressively addressing private company issues.

As we look ahead, we hope that certain process changes and other matters we noted in the Request will not weaken the PCC and the private company initiative, or the FAF and FASB's commitment to this effort. We also have several recommendations for improving the PCC. Our comments are as follows:

PCC is not just an advisory body to FASB on active projects

Consistent with how the PCC was established, FASB and PCC must be partners in deciding when differences in GAAP are appropriate. The PCC cannot become merely an advisory body to FASB. The PCC should formally decide its project agenda and vote on the need for differences in existing GAAP, and its recommendations for differences in active FASB projects (regardless of whether FASB initially agrees with those recommendations) should be exposed for public comment along with the FASB's rationale for its decisions regarding those recommendations. This level of partnership and transparency is necessary to demonstrate that FASB is listening to the needs of the private company constituency.

More work needs to be done with existing GAAP

The tone of the Request suggests to us that FASB's and PCC's work on existing GAAP is largely done. If that tone was FAF's intent, we do not agree. FASB and PCC have been doing good outreach with private company constituents to identify existing GAAP topics that should be

reviewed by the PCC. Our sense from that continuing outreach, and some of our own in developing this letter, is that FASB and PCC have more work to do on existing GAAP.

Guard against introducing unnecessary complexities in discussions

The PCC, by its design, must help convey the voices of the masses of private company constituents who themselves are not connected to GAAP standard setting. FASB, by its mission and separate from its discussions with the PCC, must consider all of its constituents (public companies, private companies, not-for-profit entities, and nongovernmental employee benefit plans) as it sets standards. By injecting nuances of non-private company perspectives into PCC discussions, the FASB runs the risk of muddling the PCC's focus and ultimately causing a disservice to its constituents. Likewise, we are reminded that issues faced by large private companies often might not be applicable to the PCC's focus because such companies often will not use the GAAP alternatives offered to private companies.

FAF PCC Liaison

We believe that the current FAF Trustee assigned to oversee the private company initiative has set a high bar for his advocacy of PCC. Considering that many FAF Trustees are not representative of the private company constituency, it is critical that FAF have a Trustee representative and process in place so that FAF stays close to and connected with the FASB Board, PCC, and FASB staff continuing private company efforts. We believe that the tone set at the top must continue to be robust so that the entire organization maintains a strong commitment to the private company initiative.

Related to the backgrounds and perspectives of FAF Trustees, we have some concern about FAF transferring oversight duties from its Private Company Review Committee to its Standard-Setting Process Oversight Committee. But we believe any risk in this transfer of oversight can be mitigated by FAF having a strong, representative Trustee champion who, with all of FAF, can ensure the tone at the top stays strong.

PCC Chairman

We believe that the current PCC Chairman also has set a high bar. The next PCC chairman will need to be a strong, proven leader with an unquestioned dedication and resolve to combat against forces that would seek to derail FAF's commitment to private company financial reporting. And we strongly suggest that FAF try to avoid any initial perception bias that the next PCC chair is not representative of the mass private company constituency. While we acknowledge that any such initial perception bias can be overcome, FAF would run an unnecessary risk of appearing disconnected and uncommitted if the next chair did not (1) have a strong connection to the private company constituency and (2) support differences in standards, where warranted.

Other comments

- Regarding the recommendation in the third bullet under PCC Roles and Responsibilities on page 8 of the Request, we believe that advising on and deliberating issues that are of interest to public companies/not-for-profit organizations should not be the PCC's role. The PCC should have a narrow focus on private company financial reporting.

- Regarding the composition of the PCC, we believe the current mix of preparers, auditors, and users is still appropriate. We observe that for this constituency, practitioners and company management often are strongly connected to the perspectives and needs of private company users. Furthermore, we also observe that sureties often lack access to management and thus may inject a “non-access, public company user” perspective into the PCC’s discussions if such representation was added to the PCC.
- We recommend that FASB staff enhance the transparency of its stakeholder outreach on issues to demonstrate that representative user stakeholders were contacted, for example, what size lenders, what region of the country, and how many.
- We recommend enhancing the transparency of any PCC input into EITF discussions.
- Regarding the first bullet under PCC Outreach to Stakeholders on page 9, the AICPA’s Private Companies Practice Section Technical Issues Committee (TIC) would be happy to serve as a resource in the PCC’s outreach activities. Regarding the second bullet, we appreciate the sentiment of communicating to private company stakeholders the input that the PCC provides to the FASB on active FASB projects. But we believe that asking volunteer members of the PCC to write comment letters would be an inefficient use of their time. Furthermore, given the pressures on volunteers’ time, it is likely that FASB staff members would need to write the comment letters.
- We agree with the recommendation that the PCC continue to establish working groups for select FASB projects and research topics. We recommend, however, that participation on such working groups not be restricted to PCC members.

* * * * *

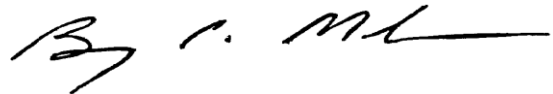
FAF expended great energy and resources to rightly have the entire organization become more attuned to the private company financial reporting constituency. We believe it will take no less energy and effort to continue the momentum.

The AICPA appreciates the opportunity to submit its comments and would be pleased to discuss them with you at your convenience.

Sincerely,



Tommye E. Barie, CPA
Chair



Barry C. Melancon, CPA, CGMA
President and CEO