

November 8, 2012

Ms. Susan M. Cospers
Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

By e-mail: director@fasb.org

Re: FASB Discussion Paper—Invitation to Comment Private Company Decision-Making Framework, *A Framework for Evaluating Financial Accounting and Reporting Guidance for Private Companies*, (File Reference No. 2012-230)

Dear Ms. Cospers:

The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 28,000 CPAs in public practice, industry, government and education, welcomes the opportunity to comment on the above captioned discussion paper.

The NYSSCPA's Financial Accounting Standards Committee deliberated the discussion paper and prepared the attached comments. If you would like additional discussion with us, please contact J. Roger Donohue, Chair of the Financial Accounting Standards Committee at (917) 887-7809, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,


Gail M. Kinsella
President



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**NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS**

COMMENTS ON

**FASB DISCUSSION PAPER—INVITATION TO COMMENT PRIVATE COMPANY
DECISION-MAKING FRAMEWORK, A *FRAMEWORK FOR EVALUATING
FINANCIAL ACCOUNTING AND REPORTING GUIDANCE FOR PRIVATE
COMPANIES*, (FILE REFERENCE NO. 2012-230)**

November 8, 2012

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New York State Society of Certified Public Accountants

Comments on

FASB Discussion Paper–Invitation to Comment Private Company Decision-Making Framework, *A Framework for Evaluating Financial Accounting and Reporting Guidance for Private Companies*, (File Reference No. 2012-230)

General Comments

We are pleased to respond to the Invitation to Comment (ITC), Private Company Decision-Making Framework, *A Framework for Evaluating Financial Accounting and Reporting Guidance for Private Companies*, File Reference No. 2012-230. Our responses take into consideration that the ITC contains the FASB Staff recommendations of criteria to determine whether and in what circumstances it is appropriate to adjust financial reporting requirements for private companies following U.S. GAAP. The FASB and the Private Company Council (PCC) have not deliberated the Staff recommendations that are deliberately very broad in scope in order to provide the FASB and PCC with a wide range of alternatives.

We have presented our responses to focus on the criteria that we believe are the most relevant for each of the Staff recommendations to give recognition to the various other factors included in those recommendations.

Responses to Questions

Question 1: Please describe the individual or organization responding to this Invitation to Comment.

Response

We are the New York State Society of Certified Public Accountants, representing more than 28,000 CPAs in public practice, industry, government and education. The practices of the firms include both public and private firms.

Question 2: Has the staff identified and focused on the appropriate differential factors between private companies and public companies (see paragraphs DF1–DF13)? If it has not, please explain why and include additional factors, if any, that you believe should be considered along with their potential implications to private company financial reporting.

Response

We agree with the basic premises described in the Differential Factors III. Investment Strategies, IV. Ownership and Capital Structures and V. Accounting Resources. We concur that the differentials applicable to investment strategies and ownership criteria are relevant to the decision-making process, and believe that the effect of these differences on decision-making might be mitigated because the users are well aware of their nature. We believe it is more relevant to focus on the users and purpose of the financial statements. It is important that

investment strategies of the investors and form of the private companies be considered as part of the factors of the information the users of the financial statements need. For example, it should be considered whether volatility and sensitivity analysis are meaningful to the users of private company financial statements. The same is true of consolidated entities. Although accounting resources are abundant for relatively low cost, and for most smaller practices the partners and staff have extensive experience with their clients, there is limited opportunity to obtain and digest the details of current accounting changes and updates. We are not convinced these difficulties are all from a lack of resources; rather they result from not allocating sufficient time to obtain such knowledge. Another element with respect to resources is that for updates that are complex and/or pervasive, we have endorsed extending the effective date of updates to one year after they become effective for public companies. This would provide practitioners additional opportunity to see how the updates are reflected in public financial statements.

Question 3: Overall, do the staff recommendations result in a framework that would lead to decisions that provide relevant information to users of private company financial statements in a more cost-effective manner? If they do not, what improvements can be made to achieve those objectives?

Response

We agree with the recommendations set forth in paragraphs 1.4 and 1.5 Analyzing Benefits and Costs, 1.5 and 1.6 Relevance to users and Cost and complexity, 1.7 through 1.10 Other considerations and 1.11 and 1.12 Industry-specific guidance. These sections provide sufficient detail of the factors that should be considered in making decisions, and further provide guidance with respect to how the factors would be reflected in making disclosure decisions. Additionally, a section is also provided that gives guidance on industry-specific matters. We believe it is important to keep in mind that, in the decision-making process, the FASB and PCC approach the elements comprising the factors to be considered with common sense which we believe might affect relevance, conciseness, and materiality.

This guidance is specific, detailed and comprehensive, and we deem this as vital for a decision-making framework.

Question 4: Do you agree that private companies that apply industry-specific accounting guidance generally should follow the same industry-specific guidance that public companies are required to follow because of the presumption that guidance is relevant to financial statement users of both public companies and private companies operating in those industries? If not, why?

Response

We agree that industry-specific guidance is appropriate to reflect unique transactions of various industries, and that the same measurement and recognition is applicable to both public and private companies operating in these industries. We see no reason why industry-specific transactions should differ between public and private companies.

Question 5: Do the different areas of the framework appropriately describe and consider the primary information needs of users of private company financial statements and the ability of those users to access management, and does the disclosure area of the framework appropriately

describe the *red-flag approach* often used by users when reviewing private company financial statements (see paragraphs BR43 and BR44)? If not, why?

Response

The framework elements set forth by the Staff incorporate the primary information needs of the users and provides guidance as to the nature and accessibility of that information.

Question 6: Has the staff identified the appropriate questions for the Board and the PCC to consider in the recognition and measurement area of the framework (see paragraphs 1.5 and 1.6)? If it has not, why, and what additional factors should be considered?

Response

As discussed in our response to Question 3, we agree that the Staff's questions to consider in the recognition and measurement area are appropriate.

Question 7: Has the staff identified the appropriate areas of disclosure focus by private company financial statement users for the Board and the PCC to consider (see paragraph 2.8)? If it has not, why, and what additional areas of disclosure focus should be considered?

Response

We agree with the list in paragraph 2.8 of the common areas of focus by typical users of private company financial statements. We also concur with the Staff's recommendations with respect to disclosure exceptions that would be appropriate in certain circumstances.

Question 8: Do you agree that, generally, private companies should apply the same display guidance as public companies? If not, why?

Response

We agree with the basic presumption that financial statement display (presentation) should be the same for public and private companies, however, in certain circumstances there should be a modification to applying the same display requirements for private companies as compared to public companies.

Question 9: Do you agree that, generally, private companies should be provided a one-year deferral beyond the first annual period required for public companies to adopt new guidance? If private companies are provided a deferred effective date, do you agree that a private company should have the option to adopt the amendments before the deferred effective date for private companies but no earlier than the required or permitted date for public companies? If not, why?

Response

Yes, we agree that, generally, private companies should be provided a one-year deferral beyond the first annual period required for public companies to adopt new guidance.

Question 10: Do you agree with the staff recommendation that some circumstances may warrant consideration of different transition methods for private companies? If not, why? If yes, has the

staff identified the appropriate considerations for the Board and the PCC to evaluate? If not, what additional factors should be considered?

Response

We agree with the Staff's recommendations to permit alternative transition methods for private companies, and we agree with the Questions to be considered to permit the different transition methods as detailed in paragraph 5.4 of the ITC.

Question 11: Do you agree with the basis for the Board's tentative decisions reached to date about which types of companies should be included in the scope of the framework (see paragraphs B8–B23 in Appendix B)? If not, why?

Response

We agree with the conclusion of the Staff with respect to the entities within the scope of the framework.

Question 12: Are there other types of entities that you believe the Board should specifically consider when determining which types of companies should be included in the scope of the framework (see paragraphs B6 and B7 in Appendix B)? If yes, please explain.

Response

No, we do not believe there other types of entities that should be included in the scope of the framework.

Question 13: The staff acknowledges the importance of the decision to be reached by the Board and the PCC on whether to require a private company that elects to apply any difference in recognition or measurement guidance provided under the framework to apply all existing and future differences in recognition and measurement guidance. Below, the staff has included some initial observations raised by a limited number of stakeholders about this topic. The staff is seeking to obtain broader input to help inform the Board and the PCC as they further assess the implications of this decision.

Some users of private company financial statements stated that they prefer an *all or nothing* approach of applying recognition and measurement differences to achieve consistency within a private company's financial statements and promote comparability among the financial statements of private companies that choose to apply all exceptions and modifications provided under the framework. Those users indicated that such an approach would reduce the confusion that they may experience if private companies are allowed to select which differences they wish to apply. The users acknowledged that the extent of that confusion will depend on the number of recognition and measurement differences that are ultimately permitted and the nature of those differences. However, most of the users stated that they do not object to allowing private companies the option of applying some, none, or all of the permitted differences in disclosure, display, effective date, and transition method guidance.

Most preparers of private company financial statements acknowledged the concerns of some users, but stated that preparers should be allowed an option to select the differences provided

under the framework that they wish to apply. Those preparers pointed to the possibility that not every permitted difference in recognition and measurement guidance may provide the most relevant information to users of their financial statements or for the companies operating in their industry. Some preparers also shared concerns about being required to make an initial commitment to apply all future differences permitted under the framework without knowing the nature or volume of the recognition and measurement differences that the Board and the PCC may ultimately provide.

a. Do you think that a private company that elects to apply any difference in recognition or measurement guidance should be required to apply all existing and future differences in recognition and measurement guidance? Please explain your response, including how you separately considered the benefits to preparers of private company financial statements and the effect on users of private company financial statements.

b. Do you think that a private company should have the option to choose which differences it applies in all other areas of the framework (disclosure, display, effective date, and transition method)? Please explain your response to the extent that you considered the benefits to preparers and the effect on users differently than you described in your response to Question 13(a).

Response

We find preferable the policy set forth in the third paragraph of Question 13.

"Most preparers of private company financial statements acknowledged the concerns of some users, but stated that preparers should be allowed an option to select the differences provided under the framework that they wish to apply. Those preparers pointed to the possibility that not every permitted difference in recognition and measurement guidance may provide the most relevant information to users of their financial statements or for the companies operating in their industry."

We believe this provides flexibility and maintains disclosures that are relevant to the financial statements. Of course, specifically which recognition and measurement differences are used and which are not needs to be clearly disclosed. To be most clear some sort of definitive statement should be required such as "The Company has adopted [Private Company GAAP] except for the following recognition and measurement policies which are only mandatory for [Public Companies]." Such a statement would imply that the disclosure standards are those that apply to private companies as additional disclosures would always be permissible if true and not misleading.

We also recognize that a complication is that once a recognition and measurement policy that is mandatory only for public companies is adopted voluntarily by a private company, additional disclosure requirements relating to that topic, that would otherwise have only applied to public companies, would now be necessary for the private company. Although it may be complicated, we believe that it would be useful to that for each public company mandatory but private company optional recognition and measurement requirement, there be clear guidance as to which additional disclosures would be required of the voluntarily adopting private company.