



December 14, 2011

Private Company Plan
Financial Accounting Foundation
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: Notice of Solicitation of Public Comment on FAF's Plan to Establish the Private Company Standards Improvement Council

Dear Trustees:

The Association for Financial Professionals (AFP)¹ is pleased to respond to the Financial Accounting Foundation's (FAF) request for comment on its document titled, *Plan to Establish the Private Company Standards Improvement Council*. The objective of this comment letter is to provide useful feedback as you consider ways for addressing the unique concerns of private company preparers of financial statements.

AFP members understand and support the FAF's mission to ensure that FASB develop high-quality accounting standards that provide investors, lenders, and other users of financial statements with clear, comparable, and decision-useful financial information about private, nonprofit and public companies while considering the relevance, complexity and costs vs. benefit.

Establishment of Private Company Standards Improvement Council (PCSIC)

AFP supports your plan to establish the Private Company Standards Improvement Council. We do not believe that adopting the Blue Ribbon Panel's recommendation to create a separate accounting board for private companies is in the best interests of the financial reporting community for many of the reasons already indicated in your report. In our opinion, creating a parallel universe for accounting of complex transactions simply on the basis of whether a company is public or private would prove counterproductive. Furthermore, doing so would undermine your mission to foster clear, comparable and decision-useful financial statements.

We acknowledge that businesses, and their related accounting transactions, have become increasingly global and complex over the last few years. As a result, users of the financial statements are demanding more transparency, consistency and comparability from companies that engage in such transactions. As the stewards of cash and investment decisions at both private and public companies, many of our members have the responsibility for the accounting of the complex transactions that are driving the debate, such as fair value valuations. Many private companies that engage in the same complex accounting transactions as their public counterparts argue that complying with the recently issued standards are costly and irrelevant, as their end users are vastly different. However, the need to reduce costs and complexity is a sentiment also shared by public companies.

AFP believes that more effort should be made to simplify accounting standards for all companies. Furthermore, as there should be an economic imperative to facilitate the capital expansion of businesses in the

¹ AFP represents approximately 16,000 finance and treasury professionals from over 5,000 corporations, including the Fortune 1,000 and the largest middle-market companies. Our membership includes a significant number of private and public corporate treasurers who are responsible for the protection and management of corporate cash, cash flow requirements and corporate investments, and controllers and CFOs, who are responsible for their corporate accounting, financial reporting and regulatory compliance.

global markets, an even greater need exists to have a transparent, consistent and uniform set of accounting standards for all businesses (private and public) to avoid confusion and misallocation. Thus, we do not support divergence by creating a separate accounting standard under the authority of a separate accounting standards board as an optimal solution for addressing private companies' concerns.

We recognized the merit of looking at this issue from a broader perspective. Both our public and private sector members have indicated that they would support limited carve outs for private companies. As an example, our members would support FASB's actions to provide disclosure exemptions for private companies for certain standards. However, all companies should generally be following the same accounting standards. Thus, AFP supports the creation of the PCSIC to work alongside FASB to determine whether and when exceptions or modifications to U.S. GAAP are warranted for private companies. Like the previous Private Company Financial Reporting Committee, the authority of the PCSIC should be subordinate to the Financial Accounting Standards Board (FASB).

The need for serious open dialogue between the constituency of the public and private sector is imperative. This dialogue appeared lacking between the former Private Company Financial Reporting Committee and the FASB. AFP believes that to ensure the success of the PCSIC, it is the FAF's responsibility to ensure that PCSIC's decisions will have as equal prominence and weight as those derived by the Emerging Issues Task Force (EITF). Indeed, as your report indicated, close monitoring in the initial stage is essential.

Finally, FASB should work in conjunction with the PCSIC when it is considering changes or additions to accounting standards. Similar to the EITF's current structure, all recommendations made by the PCSIC should be subject to ratification by the FASB after undergoing thorough due process. The due process should consist of input from the FASB as well as the public. Departures made for private companies should be seriously vetted. AFP supports your proposal for super majority ratification by PCSIC members with final ratification by FASB.

Conclusion

AFP members appreciate the opportunity to provide feedback on this plan of action. Private companies are not required to follow the strict requirements of U.S. GAAP as they do not file SEC reports, but most are required to use U.S. GAAP because their stakeholders require it. As we indicated in our comment letter to the SEC, we believe that a uniform set of global accounting standards will ultimately lower the barrier of entry in the global capital markets. We should be working toward that same solution within our borders.

We submitted a request to participate as a member of the roundtable panel on private company accounting scheduled in Atlanta. We welcome the opportunity to further discuss this important matter. Please feel free to contact Salome J. Tinker, AFP's Director of Accounting and Financial Reporting Policy for any additional information and questions at (301) 961-8871 or sjtinker@AFPonline.org.

Sincerely,



June M. Johnson, CPA, CTP
Chair, Financial Accounting and
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