

## Private Company Financial Reporting Committee

401 Merritt 7, PO Box 5116, Norwalk, Connecticut 06856-5116 203-956-5218  
e-mail: jhodell@fasb.org Fax: 203-849-9714  
JUDITH H. O'DELL  
Chair

## PCFRC Meeting Highlights January 10-11, 2008

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New York, New York

All PCFRC members were in attendance except Carl Bagge, Marco Kichler, and Maryann Lawrence.

*Financial Accounting Standards Board ("FASB") Staff:* Paul Glotzer  
*American Institute of Certified Public Accountants ("AICPA") Staff:* Bob Durak and Dan Noll

### Committee Matters

Mr. James Stevenson was introduced as a new member of the PCFRC, replacing Kathy Barry who has rotated off the committee. Also, Marco Kichler resigned from the PCFRC and a process is underway to replace him.

### FASB FIN No. 48

The PCFRC discussed proposed FASB Staff Position No. FIN 48-b, *Effective Date of FASB Interpretation No. 48 for Nonpublic Enterprises* ("FSP FIN 48-b"). This proposed FSP will defer the effective date of FIN 48 for nonpublic entities to periods beginning after December 15, 2007. Questions exist among the PCFRC's constituents about the particulars in FSP FIN 48-b, especially concerning the definition of adopting FIN 48 when interim financial statements or financial information have been issued.

The PCFRC recognized that numerous private companies are prepared to issue financial statements and are waiting for the final FSP to be issued. As such, the PCFRC decided to issue a letter to the FASB, urging the immediate finalization and issuance of FSP FIN 48-b.

The FIN 48-related survey, prepared by the PCFRC, has been issued and delivered to key constituent organizations for distribution to their memberships. This survey will accumulate data about the usefulness, costs, and benefits of the disclosure and presentation requirements of FIN 48, as well as the challenges associated with those requirements. The survey is expected to remain open until approximately the middle of February. Any further recommendations developed by the PCFRC about FIN 48 will be based on the results of this survey.

If you are primarily a “user” of private company financial statements, please take the survey at <http://vovici.com/wsb.dll/s/4e5ag2fdca>.

If you are primarily a “preparer” of private company financial statements, or are primarily a “CPA practitioner”, please take the survey at <http://vovici.com/wsb.dll/s/4e5ag2fd0e>.

### **FASB FIN No. 46R**

Focus groups of user constituents will be formed to provide evidence about the costs and benefits of FIN 46R. After the results of those focus groups have been obtained, the PCFRC will decide on a further course of action.

### **Financial Accounting Foundation (“FAF”) proposed changes to oversight, structure, and operations of the FAF, FASB, and Governmental Accounting Standards Board (“GASB”)**

The PCFRC reviewed and discussed the merits of the FAF proposal to change the oversight, structure, and operations of the FAF, FASB, and GASB.

### **FASB Project on Financial Statement Presentation**

The PCFRC task force for this project presented a draft action plan to the PCFRC. After some discussion, the PCFRC decided to take the following steps:

1. Develop a letter to FASB expressing concern about the lack of private company representation on the advisory groups associated with this project, and suggest that the Notice to Recipients in the related Preliminary Views document ask readers to consider if private companies should be exempted from the scope of this project.
2. Develop a template article about the project to be used to inform PCFRC constituents about the project.
3. Email the PCFRC Resource Group to alert them to the Financial Statement Presentation project.

### **Differential Accounting Standards**

The PCFRC engaged in a discussion about recent developments related to the setting of accounting standards, such as the convergence between U.S. GAAP and International Financial Reporting Standards (“IFRS”), the International Accounting Standards Board’s (“IASB”) development of IFRS for Small- and Medium-Sized Entities (“draft IFRS for SMEs”), and the increasing complexity of accounting standards and their relevance to private companies. Given the rapid pace of recent developments and the substantial effect such developments have on private company financial reporting, the PCFRC agreed to continue to discuss and determine what changes, if any, are in the best interests of private company constituents.

### **Draft IFRS for SMEs**

Paul Pacter, Director of Standards for SMEs at the IASB, called into the meeting. He talked extensively to the PCFRC about the draft IFRS for SMEs, including its history and objectives, its makeup, and next steps in the project. Mr. Pacter also answered questions about the project.

### **FASB's Liabilities and Equity Project**

The PCFRC task force on this project discussed with the PCFRC the recently issued FASB Preliminary Views document titled, *Financial Instruments with Characteristics of Equity*. The basic ownership approach for distinguishing between equity and liabilities or assets was reviewed as well as the changes from the current model to the basic ownership approach. The effect of the Preliminary Views document on private companies was also addressed. The PCFRC task force will meet again and develop possible comment points to be reviewed at the next PCFRC meeting.

### **Business Combinations and FASB Statement Nos. 141R and 160**

The PCFRC task force on this project led a discussion about the requirements of the recently issued FASB Statement No. 141R, *Business Combinations*, and FASB Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements*. The PCFRC decided to table further work on the business combinations project because at present no unique private company issues have been identified. The task force will continue to monitor the implementation of the new FASB standards.

### **FASB's Standards Release Process**

A letter to the FASB about improvements to its standards release process was reviewed. A final letter will be distributed to the PCFRC for approval and then will be issued to the FASB.

### **Communicating PCFRC Activities and Expanding the Resource Group**

Joel Allegretti, Director of Media Relations at the AICPA, joined the meeting and engaged the PCFRC in a discussion about ways to improve the PCFRC's communication efforts and expand its Resource Group and outreach efforts. The PCFRC will provide Mr. Allegretti with a list of goals and milestones to help him formulate an action plan for the PCFRC. Also, the PCFRC discussed and identified changes to its web site, now that the PCFRC has entered its second year of operation.

### **Working with the Small Business Advisory Committee ("SBAC")**

Earlier, the PCFRC and the SBAC agreed to establish a closer working relationship. The PCFRC talked about ways in which the two bodies could work together and decided upon the initial steps of 1) ensuring that all SBAC members are included in the PCFRC Resource Group, 2) inviting the SBAC members to join PCFRC task forces, and 3) utilizing the SBAC as a sounding board for some PCFRC ideas.

**Next PCFRC Meetings**

The PCFRC will hold its next meeting on April 24-25, 2008 in San Diego, California. In addition, the PCFRC has tentatively scheduled brief conference calls for February and March of 2008. Beyond April, the PCFRC has set the following tentative meeting dates and places. All meetings are open to the public (conference calls are not open to the public.)

June 19-20, 2008 – Atlanta  
September 18-19, 2008 – Boston  
November 13-14, 2008 – New Orleans

These dates and places are subject to change.