

## 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 June 19, 2008

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Atlanta, Georgia

All PCFRC members, except James Stevenson, were in attendance.

*Financial Accounting Standards Board Staff:* Paul Glotzer

*American Institute of Certified Public Accountants Staff:* Bob Durak and Dan Noll

#### **FASB Interpretation No. 46(R), Consolidation of Variable Interest Entities (“FIN 46(R)”)**

The PCFRC continued its discussion about FIN 46(R) and the related issues and concerns of private company financial reporting constituents. The PCFRC voted (12-1) to issue a letter to the FASB, recommending that the FASB allow stand-alone parent-only financial statements under GAAP for private companies.

#### **FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (“FIN 48”)**

The PCFRC discussed its recent recommendation letter to the FASB about FIN 48 (see [http://www.pcfrc.org/downloads/PCFRC Recommendation Letter issued to FASB FIN 48.pdf](http://www.pcfrc.org/downloads/PCFRC_Recommendation_Letter_issued_to_FASB_FIN_48.pdf)), and the necessity of the FASB addressing the recommendation letter promptly. Private companies will expend time and money during the summer to learn about and comply with FIN 48. If private companies are ultimately exempted from the requirements of FIN 48 or if an additional deferral of the effective date of FIN 48 is granted to private companies, the expenditure of time and money during the summer would be inefficient. The PCFRC will speak with FASB members and staff to communicate its concern.

#### **FASB Statement No. 123R, Goodwill, and Long-term Asset Valuation and Impairment Issues**

Results from the private company volunteer group working with the PCFRC to identify costs and issues related to FASB Statement No. 123R, goodwill, and long-term asset valuation and impairment issues were reviewed. After discussing this topic, conducting outreach, and reviewing the input received from the volunteer group, the PCFRC did not identify any recommendations to issue to the FASB.

### **FASB Exposure Draft, *Disclosure of Certain Loss Contingencies***

An Exposure Draft was issued by the FASB on June 5, 2008 that would amend FASB Statement No. 5, *Accounting for Contingencies*, and FASB Statement No. 141(R), *Business Combinations*. After discussing the Exposure Draft, the PCFRC decided that its provisions would significantly affect private company financial reporting constituents. Moreover, the proposed Statement would be effective for fiscal years ending after December 15, 2008. Given the nearness of that effective date, many private company financial reporting constituents may not have time to learn about and implement the proposed Statement.

The PCFRC will prepare a letter to the FASB about the Exposure Draft, expressing its concerns and addressing specific points and questions in the Exposure Draft.

### **FASB Exposure Draft, *Accounting for Hedging Activities***

On June 6, 2008, the FASB released an Exposure Draft, which would amend FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*. The PCFRC reviewed the proposed provisions of the Exposure Draft and decided that no significant private company-related issues required the PCFRC's attention.

### **Conceptual Framework for Financial Reporting**

Two recent Exposure Drafts issued jointly by the FASB and the IASB were discussed by the PCFRC. They are:

- Conceptual Framework for Financial Reporting: The Objective of Financial Reporting and Qualitative Characteristics and Constraints of Decision-Useful Financial Reporting Information
- Conceptual Framework for Financial Reporting: The Reporting Entity

The PCFRC formed a task force to address these Exposure Drafts. The task force will report to the PCFRC at the next meeting.

### **International Financial Reporting Standards (“IFRS”) Educational Session**

A PCFRC member conducted an educational session for the PCFRC, focused on the background of the International Accounting Standards Board and IFRS, key differences between IFRS and U.S. GAAP, and the IFRS for Private Entities project.

### **Roadmap Ahead for Private Company Accounting Standards**

The PCFRC reviewed recent events and trends affecting the setting of accounting standards in the U.S., including the June 16<sup>th</sup> FASB forum titled *High-Quality Global Accounting Standards: Issues and Implications for U.S. Financial Reporting*. The committee recognized the importance of having the Securities and Exchange Commission set a timetable and plan for the adoption of International Financial Reporting Standards by U.S. public companies. Having a certain plan and timetable in place for public

companies would facilitate the effort to map out the future of accounting standards for private companies.

### **Follow-up on Letter to FASB about Improvements to the Standards Release Process**

On February 1, 2008, the PCFRC issued a letter to the FASB suggesting improvements to the accounting standards release process ( see [http://www.pcfrc.org/downloads/PCFRC\\_final\\_letter\\_to\\_FASB\\_about\\_standards\\_release\\_process\\_2-1-08.pdf](http://www.pcfrc.org/downloads/PCFRC_final_letter_to_FASB_about_standards_release_process_2-1-08.pdf)). FASB staff informed the PCFRC at the meeting that the FASB will consider the needs of private company financial reporting constituents on a standard-by-standard basis, as they decide upon the release date of a standard and its effective date. FASB staff attached to the PCFRC will explore the possibility of having the chairman of the PCFRC provide an educational session to the FASB on private company concerns about the standards release process.

### **FASB Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities*—an amendment of FASB Statement No. 133**

The provisions of this recently issued standard were discussed by the PCFRC. No unique private company-related issues were identified and the committee decided not to pursue any further work on this Statement.

### **Communicating with Constituents**

Members of the AICPA Communication team presented their plan -

- To convey the PCFRC's achievements/successes to help increase awareness of the PCFRC and its work;
- To help the PCFRC increase members of its Resource Group, especially private company financial statement users; and,
- To increase media coverage of the PCFRC's activities.

The PCFRC staff will work with the Communication team to achieve these objectives.

### **Next PCFRC Meetings**

The PCFRC will hold its next meeting on September 18-19, 2008 in Boston, Massachusetts. Beyond September, the PCFRC has set the following tentative meeting dates and places.

November 13-14, 2008 – New Orleans  
January 8-9, 2009 – Location to be determined  
April 23-24, 2009 - Location to be determined  
June 25-26, 2009 - Location to be determined  
August 6-7, 2009 - Location to be determined  
October 15-16, 2009 - Location to be determined  
December 3-4, 2009 - Location to be determined

These dates and places are subject to change.