

Private Company Financial Reporting Committee

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JUDITH H. O'DELL

Chair

PCFRC Meeting Highlights September 20-21, 2007

Dallas, Texas

All PCFRC members were in attendance except Kathy Barry and Marco Kichler.

FASB Staff: Paul Glotzer

AICPA Staff: Bob Durak and Dan Noll

FASB FIN No. 48

The PCFRC voted unanimously to issue a recommendation letter to the FASB about FIN 48. This letter recommends that the FASB delay the effective date of FIN 48 for private companies. The effective date should be delayed until 1) clarification and guidance is issued on FIN 48's implications for pass-through entities, and 2) further consideration is given to the usefulness of FIN 48's disclosure requirements for private companies. Further, this delay will allow for a higher level of awareness and education about FIN 48. The letter will be posted to the PCFRC website.

Further outreach on FIN 48 continues. The staff will revise and finalize survey questionnaires. After these questionnaires are reviewed and approved by the PCFRC, they will be used to conduct deeper research into cost/benefit considerations for private company constituents when adopting FIN 48.

Recent Committee Member Presentations

Audience feedback from recent presentations given by PCFRC members was discussed. It was noted that certain cooperatives are interested in the work of the PCFRC and as such the PCFRC will consider the needs of cooperatives.

FASB Working Relationship

The PCFRC was informed about the procedures for working with the FASB, submitting recommendation letters, and the disposition of those letters.

FASB Statement No. 5 Project

This FASB initiative is at an early stage and the PCFRC will monitor its development, given its importance and scope.

FASB Codification Project

The FASB codification project was discussed and the PCFRC decided it needed to better understand the process for developing the codification. This will be on the agenda of its next meeting. In particular, the PCFRC expressed an interest in understanding how the codification will be reviewed, whether any changes in accounting would be imbedded in the codification, and how those changes would be communicated.

EITF Issue on Collaborative Arrangements (07-01)

The PCFRC decided to monitor the development of this EITF Issue and see whether its scope extends beyond the life sciences area.

GAAP Look Back

The PCFRC will begin the process of identifying any issues private company financial reporting constituents are facing with FASB Statement No. 123R. Furthermore, the Resource Group of the PCFRC will be contacted to identify those parties who are interested in working with the PCFRC on FASB Statement No. 123R valuation issues, goodwill, and long-term asset valuation and impairment issues. The PCFRC seeks to better understand the costs involved with those accounting issues and whether the associated benefits outweigh the costs.

SEC Advisory Committee on Reducing Complexity in Financial Reporting

An educational session about this SEC committee was conducted. The PCFRC recognized that the SEC committee's work could have an impact on the constituents of private company financial reporting. The PCFRC will monitor this SEC initiative and determine its course of action, as necessary.

International Financial Reporting Standard for Small- and Medium-Sized Entities (“draft IFRS for SMEs”)

The PCFRC task force on this project lead the PCFRC through a discussion about some key items in the draft IFRS for SMEs, including the definition of what constitutes a SME and goodwill impairment testing. The PCFRC will continue to monitor this project, as well as an anticipated FEI Research Foundation comparison of the draft IFRS for SMEs to US GAAP.

Impact on Private Company Financial Reporting of SEC Concept Release On Allowing U.S. Issuers To Prepare Financial Statements In Accordance With International Financial Reporting Standards (“IFRS”)

The PCFRC discussed the substantial ramifications this SEC Concept Release can have on private company financial reporting if the proposal were adopted. In recognition of the importance and magnitude of this SEC Concept Release, the PCFRC will communicate to the FASB: 1) its support of current efforts to converge US and international accounting standards as that process is currently functioning, and 2) the need for a comprehensive parallel initiative for private company financial reporting, involving the key constituents of that reporting. Such an initiative would help ensure that any changes in the accounting standards setting structure would consider the needs of and make sense for private company financial reporting.

FASB Project on Financial Statement Presentation

This project can have a substantial effect upon private company financial reporting. As such, the PCFRC envisions a comprehensive outreach effort to understand the needs of its constituents and understand the issues and costs involved with the changes that are preliminarily proposed in this project. The PCFRC decided to address the general business financial statement issues of this project.

Initially, the PCFRC seeks to clearly identify what benefits are expected from this project and what problems it is intended to mend. To that end, the PCFRC user representatives will speak with FASB staff about this project. The full PCFRC will discuss the project with FASB staff at the December meeting.

FASB FIN No. 46R

The PCFRC reviewed data received from Risk Management Associates concerning trends in the types of reports (audit unqualified, review, compilation, tax returns and other) submitted by bank customers for financing purposes. The data reveals an increase in the “other” category since 2000 which is where audits with exceptions would be classified. More detailed data will be obtained to better understand the growth in GAAP exceptions and whether FIN 46R is a contributing factor.

The FIN 46R outreach questionnaires will be redesigned by staff to focus on the most common FIN 46R scenario that private companies encounter. Revisions to the questionnaires will also focus on the usefulness of FIN 46R to users.

Audience Open Microphone

Certain members of the audience addressed the PCFRC and expressed their views on relevant topics. The Committee thanks those individuals for their input.

FASB Project on the Definition of a Private Company

A draft of a letter to the PCFRC's Resource Group was reviewed and, after revisions, a final letter will be sent to the Resource Group asking for their input on the definition of a private company. After the PCFRC considers the responses from the Resource Group, it will work on developing feedback to the FASB staff on this project.

Leasing

The PCFRC task force on this project provided an educational session to help the PCFRC understand the goals and possible ramifications of this project. The PCFRC will continue to monitor this project.

Reports from Project Taskforces

An update was given to the PCFRC on certain FASB projects.

- Business Combinations

A FASB standard is expected to be issued in the fourth quarter of 2007. The PCFRC task force will soon begin addressing this project and determining whether issues exist for private company financial reporting constituents.

- Revenue Recognition

The PCFRC decided to address this project at an early stage, given the importance and scope of the project.

- FASB Statement No. 133

The FASB is working on fair value approaches. The PCFRC will continue to monitor this project, which is in its early stages

Next PCFRC Meetings

The PCFRC will hold its next meeting on December 6-7, 2007 at the FASB headquarters in Norwalk, Connecticut. The PCFRC expects to meet with the Small Business Advisory Committee as well as FASB and its staff to discuss key projects. Beyond December, the PCFRC has set the following tentative meeting dates and places. All meetings are open to the public.

January 10-11, 2008 – New York

April 24-25, 2008 – San Diego

June 19-20, 2008 – Atlanta

September 18-19, 2008 – Boston

November 13-14, 2008 – New Orleans

These dates and places are subject to change.