

Private Company Financial Reporting Committee

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JUDITH H. O'DELL
Chair

PCFRC Meeting Highlights December 6-7, 2007

Norwalk, Connecticut

All PCFRC members were in attendance except Kathy Barry and Judd Rabb.

FASB Staff: Paul Glotzer
AICPA Staff: Bob Durak and Dan Noll

FASB FIN No. 48

The PCFRC discussed the pending FASB FSP that will defer the effective date of FIN 48 for nonpublic entities to periods beginning after December 15, 2007. The PCFRC will review the proposed FSP when it is issued for comment, and decide whether or not it will respond.

FIN 48-related outreach questionnaires were reviewed and finalized by the PCFRC. These questionnaires will be used to conduct a broad survey of private company financial reporting constituents about the costs and benefits of FIN 48 required disclosures and presentation. Any further recommendations developed by the PCFRC about FIN 48 will be based on the results of this survey.

As recognized in the PCFRC recommendation letter on FIN 48, guidance is needed to help private company financial reporting constituents understand and implement FIN 48, especially in the area of pass-through entities. The FASB is not expected to issue implementation guidance on FIN 48. The AICPA staff is considering developing Question & Answer guidance that addresses FIN 48 implementation issues. PCFRC members will submit questions and issues that they believe should be tackled in that Q&A guidance.

Definition of a Private Company

Responses from the PCFRC Resource Group were reviewed and considered as the PCFRC considered an appropriate and effective definition of a private company. The PCFRC voted unanimously to recommend that the FASB utilize a definition that is based on the definition of an "issuer" as presented in the United States Code. A recommendation letter to that effect will be prepared.

FASB FIN No. 46R

Draft survey questionnaires continue to be developed and are expected to be reviewed by the PCFRC at its January 2008 meeting. These questionnaires will focus on the most common FIN 46R situation for private companies. In conjunction with reviewing the draft questionnaires, the PCFRC will discuss next steps on the FIN 46R project.

FASB Project on Financial Statement Presentation

The PCFRC task force for this project reported on a conference call held with FASB staff. The project is still in its early stages, however, the PCFRC decided to begin developing a letter to the FASB on this project, relating to its implications for private companies and asking for a meeting with the FASB to discuss this project. At its January meeting, the PCFRC will address this letter and also develop an action plan to assess the costs and benefits of this project for the private company financial reporting constituencies.

FASB 123R, Goodwill, Long-term Asset Valuation and Impairment Issues

The PCFRC reviewed the list of those members of the Resource Group who volunteered to work with the PCFRC on this project. These practitioner and preparer volunteers will be asked to track their costs related to FASB 123R, goodwill, and other long-term asset valuation and impairment activities. Instructions, which will break out FASB 123R from goodwill and other long-term assets, will be developed to help the volunteers track their costs and also identify issues that they encounter.

Timing of the Issuance of FASB Statements and their Effective Dates

The PCFRC became aware of some thinking of individual FASB members suggesting that FASB constituents might benefit from more structured, time-coordinated issuances of FASB standards (Some FASB members expressed this thinking at the FASB's November 7, 2007 Board meeting during the discussion about the deferral of the effective date of FIN 48 for nonpublic entities.) For example, new standards could be issued at certain times during a year with effective dates being the same for those buckets of standards. The PCFRC agreed that private company financial statement preparers, practitioners, and users would benefit from improvements in the timing of FASB standards and their effective dates. As such, the PCFRC will develop a letter to the FASB expressing its views.

Communicating PCFRC Activities and Expanding the Resource Group

Improving the way the PCFRC communicates its activities to its constituent groups was discussed. At its January 2008 meeting, the PCFRC will assess its current processes and determine whether improvements are necessary. Further, the PCFRC will seek to significantly expand the size of its Resource Group and assess the steps necessary to achieve that goal.

Working with the Small Business Advisory Committee (“SBAC”)

The PCFRC engaged in a joint meeting with the SBAC. Several FASB members were present as well. The missions of both bodies were discussed and the need for both bodies was recognized. The PCFRC and the SBAC agreed to establish a closer working relationship, including utilizing SBAC members to help PCFRC task forces on their projects.

The joint meeting was also comprised of an update about FASB activities, and sessions about the revenue recognition project, the movement to International Financial Reporting Standards, and fair value hedge accounting. FASB staff informed the PCFRC and SBAC about the objectives and progress of those projects. The PCFRC and SBAC expressed their views and engaged in discussions with FASB staff and FASB members.

Annual Report to FAF and Recent Committee Member Presentations

PCFRC members provided updates about their speaking activities related to the PCFRC. The PCFRC decided that it would contribute information about its activities to the FAF annual report.

FASB Education Sessions

The PCFRC attended educational sessions with FASB staff about the codification project and nonfinancial liabilities.

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

The PCFRC task force on this project provided an update about recent developments. The PCFRC will try to arrange a discussion about the project with an IASB representative at its January 2008 meeting. Also, the PCFRC will look to discuss this project with the FASB.

Next PCFRC Meetings

The PCFRC will hold its next meeting on January 10-11, 2008 at the AICPA offices in New York. Beyond January, the PCFRC has set the following tentative meeting dates and places. All meetings are open to the public.

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.