

Report of Private Company Financial Reporting Committee 2009

The Private Company Financial Reporting Committee (“PCFRC”) is part of a broad initiative by the Financial Accounting Standards Board (“FASB” or “the Board”) and the American Institute of Certified Public Accountants (“AICPA”) to further improve the FASB's current standard-setting process to better meet the financial reporting needs of private companies and the users of their financial statements. The PCFRC considers user needs and conducts cost-benefit analysis to make formal recommendations to FASB about existing and prospective GAAP. Under protocols set up with the FASB, the Board must consider all recommendations. Decisions made concerning those recommendations become a part of the Board minutes.

Committee Membership

In addition to the chair the PCFRC consists of 4 preparers and 4 users of private company financial statements as well as 4 CPA practitioners who serve private companies. The PCFRC welcomed a preparer and two CPA practitioners to the committee in 2009. At the end of 2009 one CPA practitioner and two preparers rotated off the committee after serving three one year terms. There are openings for two preparers and one CPA practitioner and several candidates are under consideration. We believe that some turnover is a good thing in that new members bring fresh perspective to the group. Turnover also allows us to seek candidates with specific experience and backgrounds for upcoming projects.

Meetings

The PCFRC held five meetings during 2009: January in Norwalk, April in San Antonio, June in Washington DC, August in Pittsburgh, October in Charlotte and December in Norwalk. Our December meeting included a joint session with the Small Business Advisory Committee. We had some interested constituents at each meeting and they were given privilege of the floor.

Future of Private Company Accounting.

The SEC’s silence on the way forward for international convergence coupled with the IASB’s issuance of IFRS for Small and Medium-sized Entities (SME) in July, 2009 has created anxiety and confusion among private companies and the CPAs that serve them as to the future of private company accounting. The Chairman of the Financial Accounting Foundation (FAF) attended the PCFRC’s June meeting in Washington DC and listened as members of the PCFRC informed him on various private company accounting issues. Further discussion was held at the August meeting as the committee worked its way through the SME document, looking at differences between it and U.S. GAAP and considering whether it would be appropriate for use by private companies in the U.S. The President of FAF attended the October meeting where the PCFRC members reached a unanimous consensus that there needs to be a separate, stand-alone set of accounting standards for U.S. private companies tailored to the needs of the users of those

statements. The PCFRC wrote a letter to the chairman of FAF on November 2, 2009 recommending that the FAF consider the issue of U.S. private company accounting in the context of the mission of the FASB. In response to that letter and other urgings by the accounting profession, the FAF, AICPA, and National Association of State Boards of Accountancy (NASBA) announced the formation of a Blue Ribbon Panel to study the issue. The PCFRC will work closely with the panel in 2010.

International Convergence

The PCFRC continues to follow all joint FASB/IASB projects and provides input as the projects develop. The Committee is monitoring and making recommendations on all IASB/FASB joint projects with the expectation that the final standard will take into account private company issues. The PCFRC will take the lead in speaking for private companies as convergence moves forward.

Recommendations to FASB and Other Project Activities

The PCFRC issued the following recommendation letters to FASB during 2009. All letters and meeting minutes are posted to our website at www.pcrf.org.

October 12, 2009: Proposed Accounting Standards Update, *Improving Disclosures about Fair Value Measurements*

August 13, 2009: EITF Draft Abstracts, Issues No. 08-1, *Revenue Arrangements with Multiple Deliverables*, and No. 09-3, *Applicability of AICPA Statement of Position 97-2 to Certain Arrangements That Contain Software Elements*

July 17, 2009: *Preliminary Views: Leases*

July 2, 2009: *FSP FIN 48-d, Application Guidance for Pass-through Entities and Tax-Exempt Not-for-Profit Entities and Disclosure Modifications for Nonpublic Entities*

June 30, 2009: *Preliminary Views: Revenue Recognition*

April 14, 2009: *Financial Statement Presentation Discussion Paper*

February 10, 2009: Letter to FASB re: Securities and Exchange Commission (“SEC”) *Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards (“IFRS”) by U.S. Issuers - File Number S7-27-08 (“SEC’s Proposed IFRS Roadmap”)*

January 23, 2009: Proposed FSP FAS 144-d, *Amending the Criteria for Reporting a Discontinued Operation*

January 15, 2009 : Proposed FASB Staff Position No. FAS 107-a, *Disclosures about Certain Financial Assets: An Amendment of FASB Statement No. 107 (“Proposed FSP”)*

January 15, 2009: : Proposed FASB Staff Position No. FAS 141(R)-a, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination that Arise from Contingencies* (“Proposed FSP”)

Outreach- Speaking and Presentations

Chair:

AICPA Accounting and Auditing Update- video
AICPA Board of Directors- PCFRC Update
AICPA International Issues Conference
National Rural Utilities Coop Finance Corp Audit Conference
Maryland Association of CPAs Business and Industry Conference
Connecticut Society of CPAs Audit and Accounting Conference
Associated General Contractors Tax and Fiscal Affairs Committee
Pennsylvania Institute of CPAs Annual Meeting
AICPA National Advanced Accounting and Auditing Conference
Louisiana Society of CPAs Audit and Accounting Conference
Accounting CPE Network televised Audit and Accounting Update
Alliott Group Annual Meeting
Maryland Association of CPAs Annual Meeting
AICPA Fall Council Meeting
Financial Executives Institute Charlotte Chapter
AICPA International Financial Reporting Conference
Nebraska Society of CPAs Accounting and Auditing Conference
FASB Small Business Advisory Committee

Committee Members

Ohio Society of CPAs Members Meeting and Annual Summit
PKF Big Event
Ohio Society of CPAs Accounting Show
Ohio Society of CPAs Private Companies Conference
RMA Credit Risk Roundtable
AICPA Controllers’ Workshop
RMA Loan Review Manager Forum
RMA Annual Conference

Article

As a follow up to the PCFRC’s work on FIN 48, Judith O’Dell and Paul Glotzer published an article in the December, 2009 issue of the Journal of Accountancy “*An Update on Accounting for Uncertainty in Income Taxes*”.