Private Company Financial Reporting Committee
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JUDITH H. O'DELL
Chair

June 10, 2007

Mr. Robert Herz
Chairman
Financial Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856

Re: Proposed FASB Staff Position No. FAS 154-a

Dear Mr. Herz:

The Private Company Financial Reporting Committee (PCFRC) offers the following recommendations to the FASB related to proposed FASB Staff Position ("FSP") No. FAS 154-a, *Considering the Effects of Prior-Year Misstatements When Quantifying Misstatements in Current-Year Financial Statements*.

The recommendations represent the unanimous views of the PCFRC. Please note that the timing of the proposed FSP did not allow for the PCFRC to do an extended outreach to other constituents of private company financial reporting as we plan to do on topics that allow for a longer lead time.

The PCFRC supports the FASB's efforts to provide guidance in the authoritative GAAP accounting literature about assessing misstatements that could be material to users of financial statements.

Recommendation #1 - The PCFRC recommends that the FASB extend the effective date of the proposed FSP and make it effective for annual financial statements of private companies issued for fiscal years ending after December 15, 2007. The PCFRC believes that preparers of private company financial statements, practitioners, and users of those financial statements need adequate time to gain awareness of the proposed FSP, understand its requirements, and address its ramifications.

Recommendation #2 – The PCFRC recommends that the FASB remove the requirement in the proposed FSP that provides for differing transition approaches depending on how the entity evaluated the materiality of the misstatement to the previously issued financial statements (paragraphs 11, 12, and 16 of the proposed FSP.) For private companies, requiring some determination of what method was used in the past and justifying that to auditors and outside accountants unnecessarily complicates the proposed standard. Until this proposed standard was issued, there was nothing in the authoritative **accounting** literature that required the use of a specific method. Determining materiality has traditionally been a matter of professional judgment. The PCFRC believes that the one time cumulative effect adjustment should be made available to entities regardless of the method previously used to evaluate the materiality of the misstatement.

Recommendation #3 – The PCFRC recommends that the FASB remove references to SEC Staff Accounting Bulletin ("SAB") No. 99, *Materiality*. If the FASB finds it necessary to include guidance from SAB No. 99 in the proposed FSP, then the PCFRC recommends that the FASB include selected wording from SAB No. 99 without referring to it. Preparers of private company financial statements and their accountants may be unfamiliar with SAB No. 99. Further, inclusion of references to SAB 99 may imply that constituents of private company financial reporting need to become familiar with the SAB. Including references to SAB No. 99 will unnecessarily complicate the proposed FSP for those individuals.

Recommendation #4 – The PCFRC recommends that the FASB require the disclosures related to the cumulative effect adjustment (paragraph 14 of the proposed FSP) to include a reconciliation between the previously reported opening balance of retained earnings and the restated opening balance of retained earnings. The required disclosures in the proposed FSP would not necessarily allow a user of private company financial statements to understand how retained earnings changed and how those changes might impact the user. The PCFRC believes that disclosures, at a minimum, should include the amount of the adjustment, period adjusted, accounts affected, and reason for adjustment.

Recommendation #5 – While the PCFRC believes that guidance is needed on this subject, the PCFRC recommends that the FASB exercise caution in the future when adopting standards whose basis stems from public company regulation or from a desire to promote conformity with public company regulations. Users of private company financial statements may have different informational needs than users of public company financial statements. Accordingly, accounting regulations imposed upon public companies may not benefit private company financial statement users, and therefore, may introduce needless costs to private companies.

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The PCFRC appreciates the FASB's consideration of these recommendations. Please feel free to contact me if you have any questions or comments.

Sincerely,

Judith H. O'Dell
Chair
Private Company Financial Reporting Committee