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

January 27, 2011

Ms. Leslie Seidman
Chairman
Financial Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856

Re: Discussion Paper, *Effective Dates and Transition Methods* ("Discussion Paper")

Dear Ms. Seidman:

The Private Company Financial Reporting Committee ("PCFRC") has reviewed the Discussion Paper and offers its recommendations below. At this time, the Committee has chosen to provide some main points about implementing the joint FASB-IASB standards projects. As further progress is made on some of these projects and important aspects of the proposed standards are decided upon, the PCFRC will be in a better position to provide more specific input.

Q1. Please describe the entity (or the individual) responding to this Discussion Paper

The PCFRC is comprised of private company financial reporting users, preparers and practitioners. The PCFRC members were in general agreement on the comments below.

Q2. Focusing only on those proposals that have been published as Exposure Drafts (accounting for financial instruments, other comprehensive income, revenue recognition, and leases):
a. How much time will you need to learn about each proposal, appropriately train personnel, plan for, and implement or otherwise adapt to each the new standard?
b. What are the types of costs you expect to incur in planning for and adapting to the new requirements and what are the primary drivers of those costs? What is the relative significance of each cost component?

PCFRC members recognize that implementing the proposed joint FASB-IASB standards will involve disproportionally higher costs for many private companies due to the smaller size of their accounting departments and their need to rely on their outside CPA firm for assistance. These costs are related to training personnel, changing accounting and reporting systems, developing and testing new processes and ways of tracking and capturing information, establishing new internal controls, and identifying transactions and contracts impacted by the proposed standards. Moreover, CPA practitioners who service private companies will need time to train staff on the new standards as well as on the likely new audit, review, and compilation procedures related to the proposed standards. As such, transitioning to the new standards in the most efficient and cost-effective manner is crucial

Q3. Do you foresee other effects on the broader financial reporting system arising from these new standards? For example, will the new financial reporting requirements conflict with other regulatory or tax reporting requirements? Will they give rise to a need for changes in auditing standards?

PCFRC members involved in the construction industry are greatly concerned about the effect of the revenue recognition project on percentage-of- completion accounting as it is currently required for income tax reporting. PCFRC and others have commented on this in response to the revenue recognition project.

PCFRC members are aware that when a company changes an accounting method for tax filing purposes, an IRS filing for permission to change may be required. It is possible that some of the changes in the proposed ASUs would be acceptable under the tax code, but would represent a change for a company that would require a filing. In other cases, the proposed changes may not be an acceptable revenue recognition method under the current tax code. This would create more book/tax differences. PCFRC recommends that before the standards are issued FASB match the proposed changes against the existing IRS code to determine which are acceptable and coordinate the proposed changes in revenue recognition and lease revenue recognition and expense with the IRS. If this is not done, additional costs and complexity will be introduced into the income tax filing process as well as into the accounting for book/tax differences. Depending on the circumstances, these could be ongoing costs.

Q5. In thinking about an overall implementation plan covering all of the standards that are the subject of this Discussion Paper:
a. Do you prefer the single date approach or the sequential approach? Why? What are the advantages and disadvantages of your preferred approach? How would your preferred approach minimize the cost of implementation or bring other benefits? Please describe the sources of those benefits (for example, economies of scale, minimizing disruption, or other synergistic benefits).
b. Under a single date approach, what should the mandatory effective date be and why?
c. Under the sequential approach, how should the new standards be sequenced (or grouped) and what should the mandatory effective dates for each group be? Please explain the primary factors that drive your recommended adoption sequence, such as the impact of interdependencies among the new standards.

d. Do you think another approach would be viable and preferable? If so, please describe that approach and its advantages.

a)PCFRC members generally agree that because of the inter-relatedness and crossover nature of their subject matters, implementing the financial instruments, revenue recognition and leases projects together (the “big bang”) may be the most efficient and cost-effective approach for the private company sector.

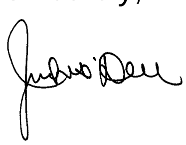
Some user members of the PCFRC have stated that staggered implementation of these standards would cause confusion and lack of comparability as revenue recognition and leases are closely related and there is some overlap between the two proposed standards as currently drafted.

b) The PCFRC recommends that the FASB provide private companies with a twenty-four month delay in the effective dates of the proposed joint FASB-IASB standards beyond the effective dates required for public companies. Implementing the proposed standards will require substantial investments of time and resources inasmuch as the proposed standards are complex and affect key financial statement line items and disclosures. Private companies generally have limited resources and will need the effective date delay to properly integrate the requirements of the proposed standards into their accounting and reporting systems. In addition, a lengthy effective date delay is necessary to help private companies address the impact of the proposed standards on areas outside their accounting and reporting systems, such as identifying the effect of the proposed standards on contracts and loan covenants.

The PCFRC also recommends that the FASB allow private companies to adopt the proposed joint FASB-IASB standards before the mandatory effective dates for private companies. Providing private companies with an early implementation option will afford private companies the flexibility needed to be responsive to their unique financial reporting circumstances.

The PCFRC appreciates the FASB’s consideration of these recommendations. As stated above, the Committee may be able to provide additional input on these effective date and transition matters after more progress and key decisions are made on the joint FASB-IASB projects. Please feel free to contact me if you have any questions or comments.

Sincerely,



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