

Private Company Financial Reporting Committee

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JUDITH H. O'DELL
Chair

PCFRC Meeting Highlights November 13-14, 2008

New Orleans, Louisiana

All PCFRC members, except Carl Bagge and Judd Rabb were in attendance.

Financial Accounting Standards Board Staff: Paul Glotzer
American Institute of Certified Public Accountants Staff: Bob Durak

FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (“FIN 48”)

The PCFRC reviewed proposed FSP FIN 48-c, which would defer the effective date of FIN 48 to fiscal years beginning after December 15, 2008, for nonpublic enterprises. The Committee decided to issue a comment letter on the proposed FSP that would support the effective date deferral and provide examples of problems that pass-through entities encounter when applying FIN 48, as requested in the proposed FSP.

FASB Exposure Draft on Subsequent Events

The PCFRC reviewed the FASB’s proposed Statement on Subsequent Events. This proposed Statement would provide guidance on the recognition and disclosure of subsequent events, that is, events or transactions that occur after the balance sheet date. The Committee decided to issue a comment letter that supports the FASB’s efforts to provide subsequent events guidance in the accounting literature. The PCFRC agrees with the FASB’s decision to add the notion of “when financial statements are available to be issued” as a possible evaluation date for management’s consideration of subsequent events. The PCFRC believes that private companies should be required to consider subsequent events through the date their financial statements are available to be issued and not the date that their financial statements are issued. The PCFRC will ask FASB to make that clear in the proposed Statement.

Also, the PCFRC supports the requirement of disclosing the date through which subsequent events were considered in the financial statements, because that disclosure will be beneficial to the users of private company financial reporting.

Finally, the PCFRC will suggest, in its comment letter, that there be a definitive effective date for this proposed Statement that is not connected with the ratification of the FASB’s accounting codification. It is possible that private company preparers and practitioners would miss the disclosure requirement (which is a change in GAAP) in the midst of the announcement of the ratification.

FASB Exposure Draft on Going Concern

The PCFRC reviewed the FASB's proposed Statement on Going Concern. This proposed Statement would provide guidance on the preparation of financial statements as a going concern and on management's responsibility to evaluate a reporting entity's ability to continue as a going concern. The Committee decided to issue a comment letter that supports the FASB's efforts to incorporate a Going Concern Standard in the authoritative GAAP accounting literature. The PCFRC will ask for some wording improvements in the proposed Standard and also suggest that there be a definitive effective date for this proposed Statement that is not connected with the ratification of the codification. Similar to the proposed Statement on Subsequent Events, it is possible that private company preparers and practitioners would miss the requirements of this proposed Standard in the midst of the announcement of the ratification.

Joint Session with Technical Issues Committee

The PCFRC held a joint meeting session with the AICPA's Private Companies Practice Section's Technical Issues Committee ("TIC"). Accounting areas of common concern, such as FIN 48 and FIN 46R were discussed and the views of both committees were shared.

FASB Interpretation No. 46(R), *Consolidation of Variable Interest Entities* ("FIN 46(R)")

The PCFRC continued its discussion about FIN 46(R) and decided to explore working with the FASB and its staff by providing them with additional examples of FIN 46R's application in the private company sector and the various issues and instances of diversity in practice that arise. The PCFRC will reach out to its Resource Group to gain input about their experiences with FIN 46R and the rationale behind their decisions to consolidate or not consolidate VIEs in various situations.

Financial Statement Presentation Project

The PCFRC discussed the Discussion Paper issued by the FASB on its Financial Statement Presentation project. The PCFRC task force will begin work identifying issues and drafting a comment letter on the Discussion Paper.

Technical Issues Committee's Letter on Hedging Activities

TIC's letter to the FASB commenting on the FASB 133 Hedging Activities project was discussed by the PCFRC. The PCFRC will consider issuing a comment letter to the FASB that supports the issues and concerns raised by TIC in their comment letter.

Discontinued Operations Proposed FSP

The PCFRC discussed the FASB's project on reporting discontinued operations. The objective of this project is to develop a converged definition of a *discontinued operation* with the IASB along with converged disclosure requirements for all components of an entity that have been (or will be) disposed of. The PCFRC will develop a letter commenting on this project. In the letter, the PCFRC will recommend that the proposed FSP define and provide guidance of an operating segment and not refer to the definition of an operating segment in FASB Statement No. 131. Private companies are not required to apply FASB Statement No 131 and are therefore not familiar with the definition of an operating segment.

IFRS for Private Entities Project

The IASB's IFRS for Private Entities Standard, which is expected to be finalized and issued in the first quarter of 2009, was discussed by the PCFRC. The PCFRC will explore field testing the Standard and devote time at its April 2009 meeting to examining the details of the final Standard, with the aid of someone integrally connected with its development.

Fair Value Accounting

In light of the recent spotlight on fair value in the financial news, the PCFRC discussed their experiences with fair value accounting in the private company sector.

Administrative Matters

PCFRC members Carisa Wisniewski (Moss Adams LLP), Carl Bagge (Bagge, Cennamo & Co. LLP), and Judd Rabb (VP Tech) are rotating off the committee. The PCFRC is thankful to Carisa, Carl, and Judd for their valuable service on the Committee. Their experience and perspective as CPAs serving and working in the private company sector, as well as their considerable skills contributed substantially to the success of the PCFRC over the last two years. The PCFRC wishes them well and hopes they will continue to be resources to the Committee.

Next PCFRC Meetings

The PCFRC will hold its next meeting on January 8-9, 2009 at the FASB headquarters in Norwalk, Connecticut. Beyond January, the PCFRC has set the following tentative meeting dates and places.

April 23-24, 2009 – San Antonio, Texas
June 25-26, 2009 – Baltimore, Maryland
August 6-7, 2009 – Cleveland, Ohio
October 22-23, 2009 – Charlotte, North Carolina
December 3-4, 2009 – Norwalk, Connecticut

These dates and places are subject to change.