November 7, 2011

Private Company Plan - FAF
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

RE: Plan to Establish the Private Company Standards Improvement Council (Plan)

Dear Trustees:

The State Board of Certified Public Accountants of Louisiana (Board) has previously corresponded on this matter in our letter of August 18th, in which we expressed our preliminary views. At that time we advised that we would be officially responding when the FAF opened the matter for public comment. Accordingly, we submit these comments for your consideration:

The Board concurs with the stated charge, tasks, and composition of a “Private Company Accounting Standards Improvement Council” (PCSIC). However, it appears that the PCSIC will not have autonomy and that the process will be essentially dominated by FASB, which causes us to be skeptical as to whether this approach will be effective.

The degree of FASB involvement is pervasive, as follows: (a) FASB members will be “attending and participating” in all PCSIC meetings, (b) the PCSIC will have to rely on FASB staff, (c) the Chair of the PCSIC will be a FASB member, and (d) there is a requirement for FASB ratification of any proposal. This level of involvement gives the FASB substantial influence or virtual control over the nature and scope of any proposal that PCSIC may consider.

The statement in the Plan that it is the “intention that all FASB members would attend and participate” in PCSIC meetings is not clear. Does this imply that the PCSIC cannot conduct a meeting if all FASB members do not, or cannot, attend?

If, as stated in the Plan, PCSIC determinations are designed to be informed by knowledgeable FASB staff and also undergo a thorough due process, including public comment, it appears unnecessary for FASB to ratify decisions of the PCSIC.

The three-year timetable for the FAF to assess whether the Plan is achieving its mission appears unnecessarily lengthy. Based on the “consensus that there are between six to ten standards” that are causing “most, if not all, of the problems”, it should be apparent within a few meetings whether the PCSIC will be effective in resolving these matters.
It is not clear whether the “in person” reports or the quarterly written reports of the PCSIC to the FAF will be publicly available.

In order to address these concerns, we suggest that the FAF:

- Eliminate the need for FASB ratification of, or require that a super-majority (2/3) vote of FASB would be required to disapprove, a US GAAP change proposed by the PCSIC;

- Because of the influence inherent in the office of chair, specify that it be a non-FASB member to serve as the PCSIC chair;

- Allow the PCSIC to conduct meetings, when it deems appropriate, without the attendance or participation of FASB members;

- Establish a definitive set of goals and objectives with a target timeline of substantially less than three years in which the PCSIC is expected to revise the “six to ten standards” that have been problematic; and

- Ensure that the “in person” reports of the PCSIC and its quarterly written reports to the FAF will be publicly available.

Thank you for considering our comments.

Very truly yours,

Michael A. Tham, CPA
Chairman

c: NASBA -  Mark P. Harris, CPA, Chair
           David A. Costello, CPA, President and CEO
           Ken L. Bishop, Executive Vice President and COO