

## Financial Accounting Foundation Private Company Roundtable

January 18, 2012—Atlanta, Georgia

### OVERALL REACTIONS TO THE FAF PCSIC PROPOSAL

Most participants generally were in favor of the FAF plan to create the PCSIC. Those who supported the plan said they believed:

- It is important to maintain consistency and transparency in standard setting
- A “two GAAP” system could result in a lack of comparability in financial reporting
- The FASB is an established, trusted group, and therefore should retain ultimate standard-setting authority
- The movement toward international convergence may make the issue of a second standard setter moot
- It would be difficult to secure funding for a whole new standard-setting board
- It would be inefficient to create another standard-setting board when there are only a handful of “problem” standards that need to be addressed.

On the other hand, some aspects of the PCSIC plan caused concern among participants, including the FASB’s ratification power over PCSIC decisions and the need for better integration between the FASB and the PCSIC.

A few supported creating a separate, authoritative standard setting board, saying it would be more efficient and responsive, and that private companies have a big cost burden to bear in trying to implement standards meant for public companies.

### TOPIC 1: Structure of the Proposed PCSIC

#### Formation and Membership

In general, most participants thought that 11 to 15 PCSIC members would be too many. They said 9 or 10 would be ideal. Some felt that the key to determining size would be the diversity of the group. For example, having one person represent “banking” would be difficult, because “banking” comprises many different constituencies. Others suggested that size depends on the Council’s function: if it sets standards, it should be smaller (7 to 9 members). If it is an advisory group, it should be larger to allow for more diverse representation.

Views were mixed on whether the PCSIC should be composed of individual members or representatives of professional associations. Those who opposed trade association representation were concerned about “other agendas” that association representatives might bring to the table. They also were concerned that “associations are one level removed from practice.” Others disagreed, saying that many associations represent individuals who don’t

have the bandwidth to represent themselves, and that not all associations are created equal. Those who supported association membership, though, felt that the PCSIC membership should not consist entirely of association representatives. Those on both sides of the issue felt that it would be important for the FAF to be able to explain how and why specific individuals are appointed to the council, making it clear what qualifications are needed, etc. Other issues to consider in appointing council members would be diversity of views, ability to participate regularly in meetings, and willingness to make the required time commitment.

Many roundtable participants expressed concern about the proposal to have a FASB member chair the PCSIC. These participants felt it would give the FASB too much power over the PCSIC. Some also expressed the view that chairing the PCSIC would be a full time job, and thus unrealistic to have a FASB member as chair. The few who felt a FASB member should chair said his/her insights on various projects would be helpful to the PCSIC. Still others suggested that a FASB member co-chair the PCSIC with a non-FASB PCSIC member.

Some participants said the FAF should consider appointing external subgroups (such as resource groups) to assist the council and spread out its workload. Others agreed such support would be helpful.

### Meetings

Most participants believe that 4 to 6 PCSIC meetings per year is about the right amount. However, several felt that, at least in the beginning, the Council should meet more frequently as it works to get up and running and address the backlog of issues.

Participants agreed that FASB involvement in the PCSIC and participation in its meetings is essential to its success in terms of commitment and cooperation. Some felt that the PCSIC should also have the flexibility to meet without the FASB, but noted that could be one of the nuances of the plan that would be worked out over time.

### FAF Oversight & Monitoring

Participants supported the proposed oversight structure of the PCSIC—where a special purpose FAF oversight committee would monitor the council's progress for the first three years, then transition its role to the standing Trustee oversight committee—but felt the Trustees should evaluate progress more frequently than once every three years. They said that FAF oversight would add value and credibility to the process. Participants also stressed the need for the FAF to set benchmarks for the Council's success.

## **TOPIC 2: Authority and Critical Responsibilities of the Proposed PCSIC**

### Decision Framework

Most participants said that the establishment of a decision making framework would be critical to the PCSIC's success. Without a framework, the PCSIC could just structure its votes to throw out the "problem" standards (like FIN 46R). Transparency in the FASB's process of creating the framework would be important. Others cautioned that, while the decision making framework needs to be completed, the process of developing it should not go on so long that there are no short term victories (i.e., dealing with problem standards immediately). Some suggested a framework would provide benchmarks so that the PCSIC could figure out if it's meeting its goals.

### Agenda Setting

The majority of participants felt that, while the FASB needs to be involved in setting the PCSIC agenda, it should not have control of it. This was a particular concern among those who opposed having a FASB member as sole chair of the PCSIC. Most agreed that, like the EITF, the PCSIC should set its own agenda. They also agreed that the development of the private company framework should provide guidance in regard to agenda setting.

### Ratification process

Views differed about the ratification process proposed in the Trustee plan. Some participants were concerned about the possibility of the FASB failing to ratify a proposal unanimously supported by the PCSIC. Others pointed out that, if the FASB is as continually involved in the process as proposed, and the council and the FASB are indeed working towards common objectives, then such a scenario should not occur. Some felt that the council should be able to override a FASB veto. One participant suggested there be no ratification requirement, but that the FASB should be required to explain why it objects to a PCSIC recommendation, and open it up to public comment. Another suggested there would need to be a level of trust on all sides, but feels the ultimate decision on recommendations should be the FASB's.

Participants were concerned about the voting process. Many felt that the PCSIC should be given power to override a FASB veto.

### PCSIC Role in Ongoing FASB Projects

All participants agreed that the PCSIC and the FASB should work side by side to evaluate issues on an ongoing basis, as opposed to bringing the PCSIC in at the end of the process. One participant suggested that PCFRC input may have been "unwelcome" because it weighed in on issues after FASB decisions had been made. Another said that, even if only from a public relations standpoint, it would be important to demonstrate (perhaps in the basis of conclusions?) that PCSIC input had been considered by the FASB in its decisions.

**Atlanta Roundtable**  
**Wednesday, January 18, 2012**

**Participants**

Andre Alexander, Institute of Management Accountants  
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Maria Bullen, Clayton State University  
Rick Day, McGladrey & Pullen  
Mike Elliott, Noro-Moseley Partners  
Elizabeth Gantnier, Stegman & Company  
Thomas Groskopf, Barnes, Dennig & Co. Ltd.  
David Miller, Nail McKinney Professional Association  
Joseph Pendergrass, Multimedia Commerce Group/Jewelry Television  
Valerie Rainey, INTTRA  
Chris Rogers, Infragistics  
Bill Schramm, PricewaterhouseCoopers  
Stephen Schuetz, Ernst & Young  
Harvey Shuster, VuKnowledge Media, Inc.  
Andy Thrower, Financial Executives International  
Salome Tinker, Association for Financial Professionals  
David Wagner, The Clearing House  
Derek Williams, First Peoples Bank  
Mark Zmiewski, Risk Management Association

**FAF/FASB Participants and Observers**

Jack Brennan, FAF Chairman  
Kevin Catalano, FASB Practice Fellow  
Dan Ebersole, FAF Trustee  
Grace Hinchman, FAF Vice President, External Relations  
Chris Klimek, FAF Senior Manager, Media Relations and Executive Communications  
Mack Lawhon, FAF Trustee  
Jay Perrell, FAF Trustee  
Terri Polley, FAF President and CEO  
Leslie F. Seidman, FAF Chairman