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international

COMMITTEE ON PRIVATE COMPANY STANDARDS

April 30, 2010

John J. Brennan, Chairman  
Financial Accounting Foundation

Robert Herz, Chairman  
Financial Accounting Standards Board

401 Merritt 7  
P.O. Box 4116  
Norwalk, CT 06856-5116

Re: **Concerns about Pace of Standard-Setting Under the FASB-IASB MOU**

Dear Mr. Brennan and Mr. Herz:

As Chair and Vice Chair of the Committee on Private Companies-Standards (CPC-S) of Financial Executives International, we are writing to express our concern about how the current pace of accounting standard-setting will impact private companies.

FEI is a leading international organization of Chief Financial Officers, Controllers, Treasurers, Tax Executives and other senior financial executives from over 8,000 major companies throughout the United States and Canada. CPC-S is a technical committee of FEI which reviews and responds to research studies, statements, pronouncements, pending legislation, proposals and other documents issued by domestic and international agencies and organizations that impact private companies. This document represents the views of CPC-S.

Regarding our concern with the current pace of standard-setting, we note that the convergence projects set for completion by June 2011 under the Financial Accounting Standards Board and International Accounting Standards Board Memorandum of Understanding could result in at least ten Exposure Drafts<sup>1</sup> of proposed standards being released for public comment over the course of the next year.

The potential for so many proposals being issued for comment this year and finalized by June 2011 poses three significant concerns:

1. Concern about the impact that a compressed due diligence timeline for FASB may have on the quality of the proposed new standards;
2. Concern about private companies' ability to thoughtfully analyze and comment on the proposed standards on a timely basis; and
3. Concern about private companies' ability to successfully implement on a timely basis the expected new standards.

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## **Concern about FASB's Compressed Due Diligence Timeline**

The recent significant increase in the intercontinental convergence efforts of FASB and IASB has resulted in numerous and frequent joint meetings, both in-person and by video conferencing between Norwalk and London. The topics being deliberated are critically important and deserve to be given substantial attention by both boards and their staffs. However, we are concerned that the current pace, instituted in pursuit of an arbitrary deadline, is both too rapid and unsustainable if the ultimate objective is to produce quality accounting standards. We are also concerned about the time pressure that will be imposed on the FASB's deliberative process in thoughtfully analyzing and responding to constituent comments – a process that by its nature is sometimes iterative in comparing comments and views of various constituents and sometimes requiring additional research and outreach. In short, we encourage you to reconsider the quality versus speed trade-off.

## **Concern about Private Companies' Ability to Review and Implement Proposed Standards**

Even if the accelerated pace of standard-setting to meet the June 2011 deadline under the MOU can be managed by the FASB board and staff in terms of issuing the Exposure Drafts, we believe this pace is unsustainable among private company constituents, in terms of our ability to thoughtfully consider and comment on all aspects of the proposed standards, including systems, audit considerations, user needs, and other potential implementation issues.

The majority of CPC-S members would be overwhelmed to try to provide a thorough and thoughtful review to the major proposed accounting standards while keeping up our financial management function in the day-to-day business of financial reporting, management, strategy, and our other responsibilities. The proposed timetable places extreme pressure on our ability to review and comment on those proposals.

However, we recognize that if we do not analyze and comment, these proposals could end up being finalized without thorough deliberation of theoretical fundamentals, real-life practicability, auditability, and other implementation issues related to private companies—potentially affecting the ability to provide high quality implementation of new standards. So, the current pace presents us with a significant dilemma with regard to the allocation of time and resources.

## **Concern about Private Companies Implementing New Standards**

We believe public companies and private companies face resource challenges in the current economic environment, in which there are still struggles to come back from the recession and credit crunch. As per the comment letter filed by [FEI's Committee on Corporate Reporting \(CCR\) on Feb. 12, 2010 re: Effective Dates of New Standards](#), we reiterate that a minimum three-year implementation period be offered for new standards arising under the MOU, but we would **also** add that from the private company perspective, even more time is likely needed to implement such a large number of new standards.

## **Support for the Blue Ribbon Panel**

Privately-held companies make-up the vast majority of American business and comprise the backbone of our economy. In general, we believe users of privately-held company financial statements have different needs for information, and different access to information, than users of public company financial statements. In that regard, we reiterate the [FEI Statement](#) issued on Dec. 18, 2010 applauding the formation of the Blue Ribbon Panel on Private Company Accounting (the BRP). CPC-S looks forward to participating in the resulting dialogue, through the participation of CPC-S Vice Chair Daryl Buck on the BRP, and through additional material that CPC-S or FEI's research foundation, the Financial Executives Research Foundation, may be able to provide during the course of the BRP's deliberations.

We are hopeful that the deliberations of the FAF, FASB, and BRP will consider the challenges to private companies in monitoring, analyzing, and thoughtfully commenting on the large volume of proposed standards expected this year under the MOU, and the challenge of subsequently implementing the volume of standards anticipated to be finalized by the June 2011 MOU. We look forward to contributing to the Blue Ribbon Panel as well as to future proposed standards.

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We appreciate your consideration of our views and welcome the opportunity to further discuss these matters. If you have any questions, please contact Daryl Buck at [dbuck@reasors.com](mailto:dbuck@reasors.com).

Sincerely,



William Koch  
Chairman  
Committee on Private Company Standards  
Financial Executives International

Daryl Buck  
Vice Chairman  
Committee on Private Company Standards  
Financial Executives International

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<sup>i</sup> The following list of standards is based on the [FASB-IASB Joint Statement \(MOU Update\), Nov. 2008](#): Financial Instruments, Consolidations, Derecognition, Fair Value Measurement, Revenue Recognition, Leases, Financial Instruments with the Characteristics of Equity, Financial Statement Presentation, Other joint projects: Conceptual Framework (multiple sections/chapters), Other joint projects: Emission Trading Schemes, Other joint projects: Insurance Contracts.