



May 31, 2024

Technical Director
Financial Accounting Standards Board
801 Main Avenue, P.O. Box 5116
Norwalk, CT 06856-5116

RE: PCC Review

The Accounting Principles Committee of the Illinois CPA Society (“Committee”) appreciates the opportunity to provide its perspective to the FAF Board of Trustees on its assessment of the Private Company Council (“PCC”). The Committee is a voluntary group of CPAs from public practice, industry, and education. Our comments represent the collective views of the Committee members and not the individual views of the members or the organizations with which they are affiliated.

The Committee supports FAF’s efforts to use the PCC to improve the process of financial accounting standard setting for private companies. We believe the PCC has been effective at both providing private company insights to the FASB in its research and due process in setting standards broadly and in working with the FASB and its staff to craft specific private company alternatives for certain ASC topics when warranted.

We believe the PCC is most effective when providing private company feedback to the FASB when it is setting broadly applicable standards. The proliferation of optional private company alternatives does create significant complexity for those entities that find the need to produce financial statements without such alternatives when the need arises, such as instances where a private company seeks to register securities with the Securities and Exchange Commission (“SEC”) or when one is acquired by an SEC issuer. The FAF may seek to include additional PCC members who are currently working in investment banking and private equity as additional financial statement user stakeholders to give more insight into these situations. Private companies are often complex and sophisticated organizations that can comply with GAAP that is applicable to public business entities and the elimination of complexity for any organization may come at a cost of producing less decision-useful information. The FASB may want to consider the need for codified guidance on a company’s changing from private company alternatives if guidance from the SEC and existing guidance on changes in accounting principles are not sufficient.

With respect to the specific questions posed by the Request for Comment:

1. A principal responsibility of the PCC is to serve as FASB’s primary advisory body on the appropriate treatment for private companies on issues that the FASB is actively considering. Do you think that the PCC has been effective in assisting the FASB in its standard-setting process for active projects? Please explain.

We believe the PCC is most effective when providing private company feedback to the FASB when it is setting broadly applicable standards. A successful PCC is one that influences standard setting in a way that addresses

the unique needs of private company financial statement preparers and users, whether that is through broadly applicable standards or through the development of PCC alternatives.

2. What improvements, if any, are needed to ensure the PCC is an effective advisory body to the FASB on issues that the FASB is actively considering?

As noted above, we believe the PCC is most effective when providing private company feedback to the FASB when it is setting broadly applicable standards.

We recommend in the exposure draft process that the FASB adds a section on the results of collaboration with the PCC on the exposure draft, perhaps as a component of the Basis for Conclusions section.

We note that the question references “issues that the FASB is actively considering” but believe the PCC should also have a voice in helping the FASB set its technical agenda.

3. Another key responsibility of the PCC has been to review and propose GAAP alternatives that will sufficiently address the needs of users of private company financial statements. Do you think that the PCC has been successful in proposing alternatives within GAAP that address the needs of users of private company financial statements? Please elaborate.

We have observed that many of the GAAP alternatives proposed by the PCC have been reactive, derived from issues that preparers encountered while implementing new standards, rather than being proactively integrated during the original standard-setting process. An example of such a matter is risk-free incremental borrowing rate election available to lessees that are not public business entities. Complexity of transition would have been reduced if this had been escalated during the comment letter period and included as part of the original revised leasing standard.

4. Do you think that the FASB has been appropriately responsive to the needs of private companies and the recommendations from the PCC?

We believe that, overall, the FASB has been appropriately responsive to the needs of private companies and the recommendations from the PCC. The impact has been demonstrated in both the ratification of PCC alternatives and the influence of the PCC on broadly applicable standards.

Additionally, as noted in our response to #2 above, description of the results of recommendations from the PCC within exposure drafts – in the Basis for Conclusions or elsewhere – would inform constituents about the collaboration between the FASB and PCC.

We also recommend the development of a clear framework within Accounting Standards Codification (ASC) 250, Accounting Changes and Error Corrections, which addresses the transition out of PCC alternatives when necessary. Some committee members have suggested IFRS 1, *First-time Adoption of International Financial Reporting Standards*, as model upon which to base such a framework.

Further, while we acknowledge that the FAF, FASB, and PCC do not have jurisdiction over SEC rules and regulations, we encourage the appropriate parties under the FAF umbrella to collaborate with the SEC on the rules around Section 3-05 financial statements of acquired companies. We have observed in practice that companies that have previously utilized PCC alternatives and are subsequently acquired in a transaction that is significant to a public company acquirer, the company will have to unwind its previous use of the PCC alternatives for the sole purpose of complying with the 3-05 financial statement requirements. Further, many committee members have observed that the prospect of an eventual sale to a public company has detracted preparers from utilizing PCC alternatives due to potential future 3-05 financial statement requirements,

particularly among companies owned by private equity. While we acknowledge the usefulness of Section 3-05 financial statements and don't suggest a change in significance tests or other scoping matters, we encourage collaboration with the SEC to discern the appropriate balance between the needs of the users of Section 3-05 financial statements – and whether those needs can be met with financial statements that utilize PCC alternatives – and the cost of compliance by private company acquirers.

5. Do you think that changes to the standard-setting process for private companies are warranted? Please elaborate.

As noted above, we believe the PCC is at its best when it is collaborating with the FASB in a proactive manner in the technical agenda development and standards setting process.

6. Do you have any suggestions about changes to the size, composition, term length, or responsibilities of the PCC?

In terms of composition of the PCC, we note that current membership is a mix of professionals in public practice, preparers of financial statements, and users of financial statements. The FAF may seek to include additional PCC members who are currently working in investment banking and private equity as additional financial statement user stakeholders to give more insight into the unique needs of these specific financial statement users.

We appreciate the opportunity to provide our comments and observations on the PCC and would be pleased to discuss them with the FAF at your convenience.

Sincerely,

Jason Plourde, Pa

Chair, Accounting Principles Committee

Kelly Buchheit, CPA

Vice Chair, Accounting Principles Committee

APPENDIX A
ACCOUNTING PRINCIPLES COMMITTEE
ORGANIZATION AND OPERATING PROCEDURES
2024-2025

The Accounting Principles Committee of the Illinois CPA Society (Committee) is composed of the following technically qualified, experienced members appointed from industry, education, and public accounting. These members have Committee service ranging from newly appointed to more than 20 years. The Committee is an appointed senior technical committee of the Society and has been delegated the authority to issue written positions representing the Society on matters regarding the setting of accounting standards. The Committee's comments reflect solely the views of the Committee and do not purport to represent the views of their business affiliations.

The Committee usually operates by assigning Subcommittees of its members to fully study and discuss exposure documents proposing additions to or revisions of accounting standards. The Subcommittee ordinarily develops a proposed response that is considered, discussed, and voted on by the full Committee. Support by the full Committee then results in the issuance of a formal response, which at times includes a minority viewpoint. Current members of the Committee and their business affiliations are as follows:

Public Accounting Firms:

National:

Ryan Brady, CPA	Grant Thornton LLP
Dontrell Brown, CPA	Ernst & Young LLP
Ashley Carboni, CPA	KPMG LLP
Timothy Delaney, CPA	RSM US LLP
Matthew Denton, CPA	Sikich LLP
Jason Eaves, CPA	Crowe LLP
William Keirse, CPA	Ernst & Young LLP
Daniel Lisella, CPA	BDO USA, LLP
Melissa Lynch, CPA	Plante Moran, PLLC
Matthew Pelton, CPA	Deloitte LLP
Jason Plourde, CPA (Chair)	Grant Thornton LLP
David Wentzel, CPA	Crowe LLP

Local :

Peggy Brady, CPA	Selden Fox, Ltd.
Kelly Buchheit, CPA (Vice-Chair)	Ostrow Reisen Berk & Abrams, Ltd.
Jennifer Cataldo, CPA	Miller Cooper & Company Ltd
Brian Kot, CPA	Cray Kaiser Ltd CPAs
Danielle Ciechanski, CPA	Porte Brown LLC
Matt Mitzen, CPA	Bronswick Benjamin P.C.

Educators:

John Hepp, CPA	University of Illinois at Urbana-Champaign (retired)
----------------	--

Industry:

John Becerril, CPA	Cambium Networks, Ltd.
Jeffrey Ellis, CPA	FTI Consulting, Inc.
Anthony Ferreri, CPA	
Thomas Masterson, CPA	Medix Staffing Solutions
Lisa Sezonov, CPA	Northern Trust Corp.
Richard Tarapchak, CPA	Verano Holdings
William Wang, CPA	Gebruder Weiss, Inc.

Staff Liaison:

Neil Dewan, CPA	Illinois CPA Society
-----------------	----------------------