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FINANCIAL REPORTING

## Private company reporting decision could come in May, FASB chairman says

BY KEN TYSIAC  
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The Financial Accounting Foundation (FAF) trustees hope to vote on a final structure and plan for private company financial reporting at their meeting in May, FASB Chairman Leslie Seidman said Monday.

In her "2012 Chairman's Outlook on the FASB" webcast, Seidman explained the various private company initiatives being undertaken by FASB and its parent organization, FAF.

FAF has proposed creating a Private Company Standards Improvement Council (PCSIC) that would recommend deviations from U.S. GAAP for private companies. The proposal has been hotly debated; more than 7,000 comment letters were received on the issue.

Seidman said FAF trustees plan to discuss the feedback at their meeting in May, and hope to decide on a plan at that time. The meeting is scheduled for May 22–23.

The AICPA was disappointed with the proposal because the PCSIC recommendations would be subject to FASB's approval; AICPA leaders have been adamant that a board governing private company decisions should be independent of FASB.

Meanwhile, FASB is developing a decision-making framework that will determine when differences in U.S. GAAP are appropriate for private companies, and last week added a project to clarify the definition of a "nonpublic entity".

If FAF establishes a new private company standards council, FASB will wait to get that group's feedback before finalizing its framework and definition.

"We have heard a wide range of views—at one end, the perspective that significant changes are required; and at the other end, the view that there should be no differences in recognition and measurement," Seidman said.

Another key priority for FASB concerns reporting for nonprofits. Seidman said FASB is reexamining existing standards to improve the way donor restrictions are considered in the presentation of net assets. Discussions will begin in the second quarter.

Meanwhile, FASB is working to develop a disclosure framework to identify which information is most helpful to users of entities' financial statements. Stakeholders have complained about "disclosure overload" or "disclosure ineffectiveness," Seidman said.

She said part of that project will include a principle on what FASB is trying to achieve in an interim reporting package.

"One thing we have been hearing about lately is that the interim reporting package is on the one hand extremely important to investors, who tend to look at the quarters [as important]," Seidman said. "But to the extent that we add disclosure requirements to the quarterly report, it gets more and more difficult, especially for accelerated filers, to pull together the package in a timely manner."

Seidman said FASB continues to make progress in its ongoing convergence projects with the International Accounting Standards Board (IASB):

- Regarding the revenue recognition proposal, stakeholders are commenting consistently on the volume of disclosures and the retrospective method of transition proposed. FASB plans to

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bring together investors and preparers to work through those issues. "It's very important that investors get the information they need, but some serious issues about the cost and overload of the proposal are being raised as well," Seidman said. She said the goal is to have a new, converged standard in place in the first quarter of 2013.

- FASB and the IASB have had trouble working through some concerns and agreeing on a path forward on the leasing proposal. But Seidman said the boards remain firm in their decision that the rights and obligations relating to leases belong on the balance sheet, and she said she

expects a final statement on leasing in the middle of 2013.

- The boards continue to try to narrow differences on financial instruments. Seidman said completion of new standards is targeted for the first half of 2013.
- Although the boards have struggled to reach consistent conclusions about several details regarding insurance, Seidman said they are still working to identify opportunities to resolve differences.

"We're still working at a deliberate pace to finalize these projects as quickly as possible," Seidman said, "but without sacrificing quality."

—**Ken Tysiac** ([ktysiac@aicpa.org](mailto:ktysiac@aicpa.org)) is a JofA senior editor.

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