



**CONSTRUCTION FINANCIAL MANAGEMENT ASSOCIATION**  
*The Source & Resource for Construction Financial Excellence*

January 13, 2012

Board of Trustees  
Financial Accounting Foundation  
401 Merrit 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

Via e-mail

Re: Plan to Establish the Private Company Standards Improvement Council

Dear Financial Accounting Foundation Board of Trustees:

CFMA is “The Source & Resource for Construction Financial Professionals” and the only nonprofit organization dedicated to serving the construction financial professional. Headquartered in Princeton, NJ, CFMA currently has nearly 6,700 members in 87 chapters throughout the U.S.

Established in 1981, CFMA’s General Members represent all types of contractors as well as developers, construction managers, architects, engineers, principals and material and equipment suppliers. Associate Members include the accounting, insurance, surety, software, legal and banking specialists who serve the construction industry.

CFMA is pleased to take this opportunity to comment on the Financial Accounting Foundation’s (FAF) plan to establish the Private Company Standards Improvement Council (PCSIC).

In advance of our response, CFMA’s Emerging Issues Committee surveyed the CFMA membership on the FAF proposal. We invite you to view the results of our brief survey.

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**FAF PROPOSAL  
 Results Overview**



Date: 1/6/2012 5:44 AM PST  
 Responses: Completes  
 Filter: No filter applied

**1.** Are you aware of the Financial Accounting Foundation's (FAF) proposed plan to establish the Private Company Standards Improvement Council (PCSIC)?

Yes		195	56%
No		156	44%
Total		351	100%

**2.** How much time have you spent researching and/or discussing this issue?

No time and effort		59	30%
Up to an hour		62	32%
Between one hour and five hours		51	26%
More than five hours		23	12%
Total		195	100%

**3.** If you have spent time researching and discussing this issue, of the four different approaches which were evaluated by FAF, please indicate the option which you believe best addresses the needs of private companies.

Creating a new, autonomous, and authoritative standard-setting board for private company issues, under the oversight of the FAF, as recommended by the Blue-Ribbon Panel on Standard Setting for Private Companies.		68	35%
Establishing a new body, under the oversight of the FAF, to identify standards that require modification and to vote on specific proposed exceptions or modifications that would then be		29	15%

subject to ratification by the FASB and submitted to the public for comment.			
Establishing a new committee on private company issues that would serve solely in an advisory role to the FASB.		17	9%
Continuing to monitor the FASB's existing and ongoing initiatives to better serve the needs and interests of private companies.		8	4%
I haven't formed an opinion.		73	37%
		<b>Total</b>	<b>195</b>
			<b>100%</b>

**4.** In which field are you employed?

Public accounting		70	20%
Construction company financial professional		234	67%
Insurance/bonding		25	7%
Banking		2	1%
Other, please specify		20	6%
		<b>Total</b>	<b>351</b>
			<b>100%</b>

While 35% of respondents favored the option, “creating a new, autonomous, and authoritative standard-setting board for private company issues, under the oversight of the FAF, as recommended by the Blue-Ribbon Panel on Standard Setting for Private Companies,” 38% of respondents have not formed an opinion at all.

Comments from the open-ended survey section further solidified the lack of consensus within our membership, exhibited by the following submissions:

- AGREEMENT WITH THE FAF PROPOSAL

*“I believe that an independent board, under the direction of the FAF, would help to take some of the political considerations out of the standard setting process, and would add some simplicity and common sense to the standard setting process.”*

- DISAGREEMENT WITH SEPARATE SET OF STANDARDS FOR PRIVATE COMPANIES

*“I do not recommend a separate set of standards for Private Companies. Readers of financial statements should be able to obtain the same information about a company whether it be a private or public company.”*

- OPPOSITION TO FASB OVERSIGHT OF PROPOSED PCSIC

*“Despite the strong recommendations of the Blue Ribbon Panel on Standard Setting for Private Companies, and upon receiving support for those recommendations from many constituents, FAF’s proposal does not contemplate the creation of an authoritative independent standard setter for private companies. The new Private Company Standards Improvement Council, as proposed, does not solve the systemic problems that exist with standard setting for private companies because it requires the Financial Accounting Standards Board to ratify any suggested modifications. I urge the establishment a new independent standard-setting body whose decisions would not be subject to the FASB approval process. It is the best way to make meaningful financial reporting changes for private companies a reality.”*

- SUPPORT FOR PRIVATE COMPANY STANDARDS

*“Private companies have vastly different reporting and creditor requirements than not-for-profit entities and should not be lumped together by the FAF.”*

- THOUGHTS ON THE INDUSTRY AND ITS ACCOUNTING BOARD AND FOUNDATION

*“The FAF/FASB has greatly diminished the usability of financial statements over the last 10 years, and has undermined the usefulness of primary financial reporting.”*

*“This is an interesting topic as it would maybe save some \$\$ for private companies in audit/review fees, but not sure how the banking/bonding industry would go for financials that aren’t prepared in accordance with GAAP.”*

With our members clearly expressing a lack of unanimity on this issue, the crux of our response is to encourage the FAF not to take any action without further outreach to address these varied concerns. With the majority of respondents (62%) having spent less than one hour researching or discussing this important subject and almost all respondents (91%) looking for additional education from the CFMA on the topic, more time will be needed to accomplish this. We appreciate FAF’s attention to this issue and its willingness to look at ways to improve the standard-setting process and the outcome of that process for private companies.

Sincerely,



Stuart Binstock  
CFMA President & CEO