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The Private Company Council Makes It Easier to Adopt GAAP Alternatives

AUDIT

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Back in 2014, the Private Company Council (PCC) issued four standards that private companies could use as accounting alternatives to existing accounting principles. The goal of these new standards was to reduce the cost and complexity involved in accounting and financial reporting for private companies. Accounting for goodwill, derivatives and hedging and consolidation of variable interest entities are effective for annual periods beginning after December 31, 2014, while the business combinations standards is effective for annual periods beginning after December 15, 2015.

A company may make a change to an alternative accounting principle if it can demonstrate that the new accounting principle is preferable. Companies adopting one of the aforementioned accounting alternatives by the effective date (or earlier) are not required to show that the new principle is preferable to the old principle. That's the good news. However, under these new PPC standards, companies that elect any of the new accounting alternatives subsequent to the initial effective date are required to perform a preferability assessment.

That's all about to the change. On December 4, 2015, the PCC voted to remove the effective date for the accounting alternatives thereby allowing private companies to adopt these new standards at any time without requiring the company to show that the new principle is preferable. The Financial Accounting Standards Board (FASB) is expected to meet in near future on the amendment to remove effective dates. Only after the FASB endorses the PPC recommended changes, can a standard be issued to remove the effective dates.

Contact us if you have questions on Private Company GAAP alternatives and [visit our audit blog](#) to read more on related topics.

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