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## Entity

The Definition of a Public Business Entity will be used by the FASB, the PCC, and the Emerging Issues Task Force (EITF) to determine the scope of new accounting and reporting guidance and to identify the types of companies that are excluded from the scope of the Guide.

Dec. 30, 2013

The Financial Accounting Standards Board (FASB) and the Private Company Council (PCC) today issued the final *Private Company Decision-Making Framework: A Guide for Evaluating Financial Accounting and Reporting for Private Companies*. The FASB also issued FASB Accounting Standards Update No. 2013-12, *Definition of a Public Business Entity: An Addition to the Master Glossary*. Known informally as the Guide, the *Private Company Decision-Making Framework* is intended to assist the FASB and the PCC in determining whether and when to provide alternative recognition, measurement, disclosure, display, effective date, or transition guidance for private companies reporting under U.S. generally accepted accounting principles (GAAP).

The *Definition of a Public Business Entity* will be used by the FASB, the PCC, and the Emerging Issues Task Force (EITF) to determine the scope of new accounting and reporting guidance and to identify the types of companies that are excluded from the scope of the Guide.

“The Guide and the Definition of a Public Business Entity are integral parts of the FASB and the PCC’s ongoing commitment to better serve the needs of both users and preparers of private company financial statements,” said FASB Chairman Russell G. Golden. “The Guide will help the FASB and the PCC identify opportunities for private companies to reduce the complexity and costs of preparing financial statements in accordance with U.S. GAAP. Defining a public business entity will help clarify the Guide’s scope, while also addressing stakeholder concerns with the inconsistency

and complexity of having multiple definitions of ‘nonpublic entity’ and ‘public

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conceptual framework for financial reporting, in making user-relevance and cost-benefit evaluations for private companies. It describes five significant factors that differentiate the financial reporting considerations of private companies from public companies.

These factors are:

- The number of primary financial statement users and their access to management
- The investment strategies of primary users
- The ownership and capital structures
- Accounting resources, and
- The manner in which preparers learn about new financial reporting guidance.

The Guide also sets forth five areas (known as modules) where financial accounting and reporting guidance might differ for private and public companies:

- Recognition and measurement
- Disclosures
- Display (presentation)
- Effective dates, and
- Transition method.

The *Definition of a Public Business Entity* amends the Master Glossary of the FASB Codification to include one definition of public business entity for future use in U.S. GAAP. The definition does not affect existing requirements.

An assessment of whether an organization is a public business entity is based on meeting any one of several criteria including whether the entity is required to file or furnish financial statements, or file or furnish financial statements (including

voluntary filers) with the U.S. Securities and Exchange Commission, or has securities

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