

# **Bond Case Briefs**

*Municipal Finance Law Since 1971*

---

## **FASB to Propose New Definition of Public Businesses.**

As part of a project on determining which entities qualify for alternative private company accounting rules, the Financial Accounting Standards Board on July 10 decided to propose guidance that would help define what constitutes a public business

At a meeting in Norwalk, Conn., the board unanimously supported a staff recommendation not to amend the existing definitions of a nonpublic entity in the Accounting Standards Codification (ASC). Rather, the board agreed to propose a new definition of a public business entity that would be added to the ASC master glossary for use in future guidance.

According to the staff, a business entity would be regarded as public if it has met any of the criteria established in prior board decisions for determining which entities should be excluded from the alternative rules developed for private companies. Those criteria include a requirement to file or furnish financial statements with the SEC or another regulatory agency for purposes of issuing securities.

FASB member Thomas Linsmeier supported the staff recommendation, saying that the board must gain more experience making scope decisions about the companies that FASB and its advisory group, the Private Company Council (PCC), will not be considering for potential rulemaking differences.

Linsmeier added, however, that the new definition of a public business entity that will be proposed will create some differences from the existing general definition. "We should think about the entities that will be affected by those differences — if at all possible — and try to seek them out for comment," he said.

According to Linsmeier, FASB should make an effort to gather feedback from those entities offering unrestricted securities that would be classified as public because they must provide periodic financial reports to the public under a legal or regulatory requirement.

FASB decided that the proposed guidance on defining a public business entity would be released for a 45-day public comment period.

Elizabeth Gagnon, a FASB project manager, said that if the proposal can be released later this month, the timing of the comment period should allow for the feedback to be received before the PCC's meeting scheduled for October.