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POST-IMPLEMENTATION REVIEW REPORT

on FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*

(Codified in Accounting Standards Codification Topic 740, Income Taxes)

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The accompanying *Post-Implementation Review Report on FASB Interpretation No. 48,* Accounting for Uncertainty in Income Taxes (FIN 48 Report or Report), summarizes the FAF's post-implementation review (PIR or Review) team's research results and conclusions (collectively, Findings), and recommendations from their Review of FIN 48. The PIR process is an important part of our FASB and GASB standard-setting oversight responsibilities. Our oversight objectives are to improve the standard-setting process, in part, through a robust, independent, and credible PIR process.

The PIR team's review accomplishes the objectives we set out for the PIR process: (1) to determine whether FIN 48 is accomplishing its stated purpose, (2) to evaluate FIN 48's implementation and continuing compliance costs and related benefits, and (3) to provide recommendations to improve the FASB's standard-setting process. To maintain the FASB's standard-setting independence, the PIR team does not make recommendations for the FASB to take standard-setting action.

We have reviewed the FIN 48 Review team's procedures and the accompanying FIN 48 Report. We believe that they performed a robust, independent, and credible Review of FIN 48. The team's summarized conclusions and recommendations, with which we concur, are included in the "Summary" section of the Report.

The FIN 48 Report addresses the technical, operational, and cost-effectiveness aspects of FIN 48. The FASB has reviewed the FIN 48 Report and the PIR team's detailed Findings. After additional review and consideration, the FASB will provide a timely response to the matters discussed in the Report and Findings. The FASB response will indicate whether further research or standard-setting action is appropriate.

We would like to thank all of the individuals and organizations that provided input on FIN 48 and helped the PIR team develop its Review process.

We welcome your input on our PIR process at presidentsdesk@f-a-f.org.

Sincerely,

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SUMMARY

The Trustees implemented a post-implementation review (*PIR* or *Review*) process as part of their FASB and GASB oversight responsibilities. The Trustees' objectives for these Reviews are to determine whether a standard is accomplishing its stated purpose, evaluate its implementation and continuing compliance costs and related benefits, and provide recommendations to improve the standard-setting process. The Trustees decided to test the initial Review procedures and modify them, as needed, to make them operational. FIN 48 was selected as the initial post-implementation review standard because it made an important change in accounting and reporting, but it was not so transforming and controversial that it would overwhelm PIR team resources.

The FIN 48 PIR team reached the following overall conclusions about FIN 48:

- More information about income tax uncertainties is reported using FIN 48's provisions than using prior accounting guidance. Investors are using that information in some manner in their investment decision process. Investors use the information in different ways, from predicting income tax cash flows to assessing how aggressive managements are in their income tax strategies. Preparers might not disclose sensitive income tax uncertainty information if they perceive it to be detrimental to tax settlements.
- Uncertain income tax positions are recognized and measured more consistently using FIN 48's guidance than using prior accounting guidance. However, consistently applying FIN 48's guidance may not increase the comparability of information about income tax uncertainties across companies and other reporting entities. The principal reasons comparability may not be increased are managements' judgments and tax code complexity. Management has to assess each tax position separately on its technical merits, assuming taxing authorities' full knowledge of the positions. Different judgments may result in different reported outcomes, even for similar uncertain income tax positions.
- Reported information about income tax uncertainties is more relevant since FIN 48 was issued. However, such information may not be predictive or confirmatory of future cash flows because FIN 48 employs a benefit-recognition approach, not a best-estimate approach for liabilities to be settled.
- On balance, the benefits of FIN 48's improved consistency and reporting of income tax uncertainty information outweigh its costs.

The FIN 48 PIR team recommends that the FASB:

- Continue its efforts to improve user input in the agenda and early deliberation phases to evaluate alternatives addressing user needs.
- Include in each standard a thorough discussion about the need for new financial reporting guidance and the benchmark characteristics of useful financial information considered. If the FASB adopts one principle from a number of acceptable alternatives, the standard should explain how the principle selected best meets users' needs.
- Include in each standard a thorough discussion about the new guidance's benefits and beneficiaries, the associated costs to affected principal stakeholders, and how benefits and costs are evaluated and assessed.
- Follow consistently its established policies and procedures related to re-exposing all or part of a proposed standard.

GLOSSARY OF ACRONYMS AND TERMS

Conceptual Framework: The FASB's conceptual framework for financial reporting

FAF: Financial Accounting Foundation

FASB: Financial Accounting Standards Board (or *Board*)

FIN 48: FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes,* an interpretation of FASB Statement No. 109 (codified in Accounting Standards Codification Topic 740, Income Taxes)

GASB: Governmental Accounting Standards Board

IRS: Internal Revenue Service

Oversight Committee: FAF's Trustees' Standard-Setting Process Oversight Committee

PIR: Post-implementation review

PCAOB: Public Company Accounting Oversight Board

Review: Post-implementation review

Sarbanes-Oxley Act: The Sarbanes-Oxley Act of 2002 (or *the Act*)

SEC: Securities and Exchange Commission

Survey Firm: Rockbridge Associates, Inc.

Team: Post-implementation review team (or *Our, We*)

Trustees: FAF Board of Trustees

XBRL: eXtensible Business Reporting Language

POST-IMPLEMENTATION REVIEW REPORT

BACKGROUND

FIN 48

In the years leading up to the FASB adding FIN 48 to its agenda, the SEC and others were concerned about earnings management, particularly what was referred to as "cookie jar reserves." The financial press reported concerns that companies could manage earnings by determining the amount and timing of income tax reserves. At about the same time, the IRS was concerned about aggressive and abusive income tax positions. Congress held hearings on abusive tax shelters in 2002 and 2003. In December 2004, the IRS and the Treasury Department amended their regulations to improve ethical standards for tax practitioners and to curb abusive tax avoidance transactions.

One of the most common material weaknesses reported in the first round of Sarbanes-Oxley Section-404 filings related to income taxes. Prior to the Sarbanes-Oxley Act, many companies had not documented adequately their internal control procedures for income taxes. The PCAOB introduced new audit documentation requirements that went into effect shortly before the initial adoption of FIN 48. Those requirements, along with the requirements of FIN 48, resulted in much more information and detail in income tax accrual work papers.

The FASB issued FIN 48 to reduce diversity in practice in recognizing, measuring, and reporting uncertainties relating to income tax positions. Generally, an income tax position is a deduction or credit taken or expected to be taken in an income tax return that is recognized, measured, and reported in an entity's financial statements. A tax position also includes a decision not to file an income tax return, or to classify transactions or entities as tax exempt. Taxing authorities may challenge income tax positions, thus creating uncertainties about the taxes ultimately to be paid. For example, taxing authorities may not allow, or only allow a portion of, a deduction for certain expenses.

FIN 48 recognizes income tax positions using a benefit-recognition approach that is summarized in the "Is FIN 48 Operational?" section on page 6.

The FASB believes FIN 48 improves financial reporting by increasing relevance and comparability in income tax financial reporting, and by providing more information about uncertainty in income tax positions.

PIR Procedures

Our criteria and procedures for reviewing selected accounting standards are described and posted on the FAF website (PIR Process Description). Generally, we will review significant standards that the FASB currently is not reassessing. Our procedures include reviewing the FASB's historical files, conducting stakeholder surveys and questionnaires, reviewing academic publications, reviewing footnote disclosures and other public information for selected public companies, and interviewing stakeholders.

Surveys were designed to obtain a variety of perspectives from each of the principal stakeholder groups. The Survey Firm received 199 responses to our FIN 48 survey: 45% from users, 29% from preparers, 18% from accounting practitioners, and 8% from academics. The user survey participants varied by type (e.g., buy-side and sell-side analysts, loan officers, investment officers, and sureties) and size of organization. Slightly more than half of the preparer participants were from publicly held entities and about half of those public entities have revenues above $1 billion. Of the remaining preparer participants, a few were from not-for-profit entities and the rest were from privately held entities. Most of those private entities have revenues less than $1 billion. The majority of practitioner participants were from accounting firms with revenues between $10 million and $1 billion. We received responses to our FIN 48 questionnaires from user, accounting practitioner, and preparer organizations, and from the largest accounting firms. Questionnaire responses provided us with the range of experiences and views of these organizations' members and professionals.

PIR Objectives

The three primary PIR objectives are to (1) determine whether a standard is accomplishing its stated purpose, (2) evaluate its implementation and continuing compliance costs and related benefits, and (3) provide recommendations to improve the standard-setting process (as opposed to recommending standard-setting actions). We divided the first objective further to determine whether:

- The standard resolved the issues underlying its need
- Decision-useful information is being reported to, and being used by, financial statement users
- The standard is operational
- Any significant unexpected changes to financial reporting and operating practices have occurred
- Any significant economic consequences have occurred that the Board did not consider.

We focused our research, surveys, questionnaires, and interviews on achieving the PIR objectives. We correlated our various research inputs to establish whether there were consistent views. In some cases, there was a great deal of consensus in views. In other cases, the views were diverse or contradictory. Responses to our surveys did not reach the level necessary to draw statistically valid inferences, but they were informative when considered with our other research. Therefore, our research observations are indications of stakeholder views, not statistically valid inferences. We came to our conclusions using our judgments, considering all the input received, and striving to be objective and balanced.

Seldom will stakeholders have unanimous views on whether any standard or its provisions are effective. Given stakeholder diversity, we expect they will have varying views about any standard's provisions, and hold such views with varying conviction. In our FIN 48 research, we noted that stakeholder views varied based on a number of factors: public vs. private company analysts, public vs. private and not-for-profit financial statement preparers, larger vs. smaller entity preparers, the respective practitioners serving each stakeholder group, and the number of tax jurisdictions and complex tax issues an entity faces.

DID FIN 48 ACCOMPLISH ITS STATED PURPOSE?

Did FIN 48 Resolve the Underlying Need for the Standard?

The stated objective of FIN 48 is to provide "guidance for recognizing and measuring tax positions taken or expected to be taken in a tax return that directly or indirectly affect amounts reported in financial statements" (paragraph B9). From this objective, we interpret that FIN 48's purpose is to improve financial reporting for income tax uncertainties, and to provide guidance that meets the Conceptual Framework's fundamental qualitative and enhancing characteristics. Therefore, the implied needs for FIN 48's guidance are that: investors need useful information about entities' income tax risks and uncertainties; investors need to be able to compare such information across entities and from period-to-period; income tax uncertainty information needs to be relevant (i.e., have predictive and confirmatory value); and preparers need to use consistent methods to determine and report income tax uncertainty information.

Our research indicates:

- Prior to FIN 48, a majority of entities reported little or no income tax uncertainty information, and preparers used different principles to recognize, measure, and disclose income tax uncertainties.
- Prior to FIN 48, a majority of users did not include income tax reserve information in their investment decision process.
- Since FIN 48 was implemented, most investors have been using income tax reserve information in some manner in their investment decision process, from predicting income tax cash flows to assessing how aggressive managements are in their income tax strategies.

  Conclusion: FIN 48 provides investors more useful information about income tax uncertainties, and investors are using that information in some manner in their investment decision process. Likewise, FIN 48 provides preparers with a consistent method to recognize, measure, and disclose uncertain income tax positions.

Does FIN 48 Provide Decision-Useful Information?

Our research was organized around three aspects of decision-useful information: whether or not FIN 48 provides decision-useful information to investors and other financial statement users, whether or not preparers are reporting useful income tax uncertainty information, and how investors and others use such information.

Our research indicates:

- Investors and other financial statement users believe FIN 48 generally provides useful information, although some believe the information is not a reliable or verifiable predictor of risks from income tax uncertainties. They believe income tax reserves are determined more consistently and are more comparable across reporting entities since FIN 48 was issued. Generally, investors use FIN 48's income tax uncertainty information in some way in their investment decision process—to predict income tax cash flows or earnings impact, or to assess managements' tax strategies.

- Preparers generally believe that information about income tax uncertainties is reported using consistent methods to recognize and measure uncertain tax positions. However, they generally do not believe FIN 48 provides decision-useful information. They are concerned that the judgments required to recognize and measure income tax uncertainties result in reporting information that is not comparable, and may not represent amounts expected to be settled.
- Academic and XBRL research indicates that public companies have increased the amount of information reported about income tax uncertainties and generally comply with FIN 48's disclosure provisions. However, academic research indicates that disclosure clarity may vary depending on entity size and sensitivity to tax authority settlement implications.

  Conclusion: On balance, entities are providing decision-useful information about income tax uncertainties using FIN 48's guidance. Entities are reporting information about income tax uncertainties more consistently, and investors are using the reported information in their investment decision process. However, FIN 48 may not be useful to investors for predicting income tax cash flows because of its recognition and measurement provisions and the judgments involved (see the next section).

Is FIN 48 Operational?

Operationality addresses stakeholder views about whether or not the standard "works in the real world." It addresses whether preparers and practitioners understand and are able to apply FIN 48's various provisions and report income tax uncertainty information reliably (i.e., faithfully represent information about income tax uncertainties). In addressing reliability, it is important to remember that FIN 48 uses a benefit-recognition approach. The benefit-recognition approach recognizes the income tax benefit to be realized, summarized as follows:

- An entity assesses whether it is more likely than not (the MLTN threshold) it will sustain an uncertain position taken on an income tax return based on its technical merits. It must consider the position on its own, without the possibility of offset or aggregation with other uncertain income tax positions. In making this assessment, the entity must assume the taxing authority will examine the uncertain position and have full knowledge of all relevant information.
- If the uncertain position meets the MLTN threshold, then the entity measures the tax benefit to be realized considering the amounts and probabilities of outcomes that could be realized on settlement. If the uncertain position does not meet the MLTN threshold, then no benefit is recognized.
- The entity records a liability for the uncertain position as the difference between the amount taken in the tax return and the benefit recognized and measured using the MLTN threshold. Thus, the entity records the benefit expected to be realized, not necessarily the amount to be settled. Therefore, FIN 48 does not purport to represent the best estimate of income tax cash flows.
- The benefit-recognition approach does not recognize income tax benefits with probabilities below the MLTN threshold, or unrecognized benefits that could be realized in the aggregate with other uncertain income tax positions when settled. Therefore, the benefit-recognition approach tends to recognize, at least initially, income tax uncertainty liabilities that are larger than amounts actually settled.

Our research indicates:

- Preparers and practitioners think that the reported liabilities are larger than the settled amounts because of (a) the presumption that taxing authorities will examine each uncertain tax position rather than settle in the aggregate, (b) the presumption that each uncertain position will be evaluated on its technical merits assuming taxing authorities' full knowledge of the facts and issues (many positions are either not reviewed or the issue/position is not raised during the review), or (c) no value being given to uncertain positions that do not meet the MLTN threshold (i.e., no offset for settling amounts in the aggregate).
- Preparers generally understand FIN 48's provisions. They have difficulty, however, in applying its recognition and measurement provisions because they require judgments about outcome probabilities applied to complex, and often vague, tax codes and practices. Preparers express similar concerns about FIN 48's subsequent recognition and derecognition requirements. They note that those requirements, when coupled with other guidance in FIN 48, can result in liabilities being reported for longer periods and in greater amounts than experience would justify. Because of the extensive judgments involved, some preparers and practitioners are concerned that FIN 48 does not provide comparable information across entities and, therefore, question FIN 48's usefulness to investors.
- Preparers and practitioners sought, and continue to seek, post-issuance guidance from various sources to apply FIN 48's provisions, particularly its initial recognition, measurement, and disclosure provisions. Some practitioners needed to provide significant supplemental guidance to their clients to make FIN 48 operational. Some preparers and practitioners engage in continuing discussions in applying FIN 48, particularly about its initial recognition, measurement, and disclosure provisions.
- Preparers and practitioners think that the FIN 48 disclosures reveal sensitive information to taxing authorities, particularly when an entity has limited uncertain income tax positions. Preparers and practitioners also question the reliability of certain disclosures of sensitive information (e.g., significant changes that could occur in the next 12 months). They reason that a requirement to disclose sensitive information leads to ambiguous disclosures.

  Conclusions:

  - Preparers and practitioners generally understand FIN 48's provisions. Understanding is less prevalent for smaller organizations that rely on external resources for guidance and training.
  - Preparers and practitioners generally are able to apply FIN 48's provisions. The recognition and measurement provisions, however, are difficult to apply and continue to generate application discussions between preparers and practitioners. Both provisions require a great deal of judgment to assess likely outcomes for uncertainty in tax laws and administrative procedures. The extent of judgment involved can result in significantly different outcomes that negatively affect comparability across entities, reducing FIN 48's usefulness to investors.
  - FIN 48 information may not be relevant to investors and others using such information to estimate income tax cash flows in their investment decision process. To make the information relevant for predicting income tax cash flows, users may attempt to adjust FIN 48 information for estimates of the differences between (a) preparers' assessments using the MLTN threshold and (b) the possible results of the

settlement process. For example, a taxing authority might not examine the uncertain position, it might offset or aggregate the position with other uncertain positions, or it might allow a deduction for an unrecognized benefit.

Did FIN 48 Result in Unexpected Changes in Practice?

Our research indicates that preparers and practitioners changed some operating practices to implement FIN 48, but that they expected most of those changes. The most common changes were employing additional tax specialists, engaging a tax advisor from a law or accounting firm, and changing the level of coordination between tax and other functions.

Some stakeholders expected that preparers would change their tax strategies as a result of FIN 48. Our research indicates that relatively few preparers changed their tax strategies for FIN 48 reasons. Those that changed strategies became somewhat more conservative. However, there were external factors other than FIN 48 that may have caused preparers to become more conservative (e.g., increased IRS and Congressional focus on tax shelters).

A number of stakeholders were concerned that entities would experience adverse consequences from implementing FIN 48, such as reduced leverage in settlement negotiations with tax authorities (the "road map effect"). The road map effect appears to be more of a concern for smaller entities that have fewer tax jurisdictions to aggregate, and thereby to mitigate, the disclosure risks pertaining to any single tax jurisdiction.

Our research indicates that preparers did not experience unexpected changes in taxing authority behavior in selecting entities for audit or in settlement negotiations. Preparers are concerned, however, that IRS Schedule UTP (Form 1120), Uncertain Tax Position Statement—introduced in 2010 and directly related to FIN 48—could lead to adverse audit and settlement consequences.

> **Conclusion:** Although preparers made changes to implement FIN 48, preparers generally did not make any significant unexpected changes to their financial reporting or operating practices.

Did FIN 48 Result In Any Significant Economic Consequences?

We asked preparers and practitioners whether or not entities experienced any significant economic consequences, particularly related to price volatility in equity securities. Our research indicates that preparers did not experience any significant capital market effects or effects on entity valuations attributable to FIN 48's implementation and disclosures. Similar to preparers' responses, our research indicates that users did not perceive any significant capital market effects, or effects on entities' valuations, attributable to FIN 48.

> **Conclusion:** Generally, there were no significant economic consequences from FIN 48 that were not raised and considered in the standard-setting process. However, it is too soon to determine the economic consequences of IRS Schedule UTP, if any.

Overall Conclusions

More information about income tax uncertainties is reported using FIN 48's provisions than using prior accounting guidance. Investors are using that information in some manner in their investment decision process. Investors use the information in different ways, from predicting income tax cash flows to assessing how aggressive managements are in their income tax strategies. Preparers might not disclose sensitive income tax uncertainty information if they perceive it to be detrimental to tax settlements.

Uncertain income tax positions are recognized and measured more consistently using FIN 48's guidance than using prior accounting guidance. However, consistently applying FIN 48's guidance may not increase the comparability of information about income tax uncertainties across companies and other reporting entities. The principal reasons comparability may not be increased are managements' judgments and tax code complexity. Management has to assess each tax position separately on its technical merits, assuming taxing authorities' full knowledge of the positions. Different judgments may result in different reported outcomes, even for similar uncertain income tax positions.

Reported information about income tax uncertainties is more relevant since FIN 48 was issued. However, such information may not be predictive or confirmatory of future cash flows because FIN 48 employs a benefit-recognition approach, not a best-estimate approach for liabilities to be settled.

FIN 48 COSTS AND BENEFITS

Assessing costs and benefits is difficult because, generally, the benefit accrues to investors and other financial statement users while the cost generally accrues to preparers. Inconsistent accounting and non-comparable reporting theoretically result in costs to investors from increased risk and capital misallocation. Identifying consistent cost and benefit metrics is difficult because metrics differ in importance between preparers and between financial statement users. Even when consistent cost and benefit metrics can be identified, they are difficult to measure and assess across entities.

The FASB considered the nature of FIN 48's costs to preparers primarily through discussions with preparers and auditors. The FASB acknowledged that FIN 48 might increase the costs to account for income taxes. However, because preparers were assessing income tax uncertainties already, the FASB concluded that the incremental cost to implement FIN 48 should not be significant. The FASB was concerned, however, about the costs to investors resulting from insufficient income tax uncertainty information and non-comparability in financial statements.

Our research indicates:

- Financial statement users benefit from FIN 48's increased income tax uncertainty information. Income tax uncertainties are reported more consistently, and more information is being provided than prior to FIN 48. Investors generally are using the increased information in their investment decision process.
- Preparers and practitioners generally do not believe that FIN 48 resolves the issues underlying the need for the standard. Therefore, generally, they do not believe the costs of applying FIN 48 are reasonable compared to its benefits. A number of practitioners,

however, believe that FIN 48 did resolve some of the underlying issues. Practitioners with this view cite the benefits of increased consistency in assessing income tax uncertainties and increased comparability.

We asked preparers whether they incurred significant FIN 48 implementation and continuing compliance costs, including the time it took them to implement the standard. Such costs vary based on each entity's income tax complexity and its existing procedures to assess income tax uncertainties. Our research indicates that, generally, most preparers did not incur significant incremental FIN 48 implementation and continuing compliance costs. However, some preparers did incur significant implementation costs, particularly smaller entities. Those entities that did incur significant costs cite additional audit fees, external legal and accounting expertise, and documenting existing tax positions as the most significant costs. They also indicate that implementation costs tended to be significantly higher than expected.

Based on our research, preparers' incremental costs to implement and comply with FIN 48 generally were not significant and were in line with preparers' expectations. Furthermore, investors are using the increased income tax uncertainty information in their investment decision process.

Conclusion

On balance, the benefits of FIN 48's improved consistency and reporting of income tax uncertainty information outweigh its costs.

STANDARD-SETTING PROCESS IMPROVEMENTS

The FASB added income tax uncertainties to its agenda because regulators and practitioners were concerned there was much diversity in practice to recognize, measure, and report such information. There was minimal FASB outreach to financial statement users during the agenda and early deliberation phases to determine users' concerns about such matters. Having users' views earlier in the standard-setting process may have affected the FASB's deliberations on the approach used to report income tax uncertainties. The FASB has invested considerable time and taken a number of steps since they issued FIN 48 to improve the amount and timing of user input into the standard-setting process.

Recommendation: We recommend the FASB continue its efforts to improve user input in the agenda and early deliberation phases to evaluate alternatives addressing user needs.

The FASB considered all of the Conceptual Framework's qualitative characteristics of useful information in developing FIN 48's recognition and measurement guidance. FIN 48 contains a brief discussion about its relationship to the Conceptual Framework, specifically mentioning the qualitative characteristic of comparability. FIN 48 does not, however, describe in detail its relationships to the primary qualities of useful information, relevance, and reliability. Such a discussion might have provided more insight into the FASB's conclusion that the benefit-recognition approach provides more useful information to users than other recognition and measurement approaches.

> **Recommendation:** We recommend that the FASB include in each standard a thorough discussion about the need for new financial reporting guidance and the benchmark characteristics of useful financial information considered. The discussion should explain how, from financial statement users' perspectives, the new guidance meets the qualitative characteristics of useful financial information (relevance and faithful representation) and their enhancing characteristics (comparability, verifiability, timeliness, and understandability). If the FASB adopts one principle from a number of acceptable alternatives, the standard should explain how the principle selected best meets users' needs.

The FIN 48 archives contained little documentation of the FASB's consideration of FIN 48's effect on preparers' reporting and operating practices. Preparers provided input on these effects in Exposure Draft comment letters and during the roundtable preceding redeliberations. However, there was little documenting how the FASB considered such information in its cost-benefit analysis.

> **Recommendation:** The FASB should clearly describe its processes for evaluating a new standard's cost-benefit relationship. We recommend that the FASB include in each standard a thorough discussion of the new guidance's benefits and beneficiaries, the associated costs to affected principal stakeholders, and how benefits and costs are evaluated and assessed. The discussion should explain cost and benefit elements considered, including the effects on operating practices.

FIN 48's disclosure requirements were introduced late in the standard-setting process, after the Exposure Draft comment period. Some stakeholders indicate that the FASB did not allow sufficient time for comment and consideration of these new disclosure requirements. The FASB has established policies and procedures to decide when to re-expose a proposed standard's provisions. It is not clear, however, what thresholds the FASB considered in deciding whether or not to re-expose FIN 48's disclosure requirements. The decision not to re-expose those disclosure requirements limited stakeholder input that might have enhanced and clarified FIN 48's disclosures for users and preparers.

> **Recommendation:** We recommend that the FASB follow consistently its established policies and procedures related to re-exposing all or part of a proposed standard.

Several private and not-for-profit entity stakeholders commented that FIN 48 indicated a standard-setting bias to large public company issues. These stakeholders believe that FIN 48 deals with issues generally not relevant to many private and not-for-profit entities. Another perceived aspect of large public company bias is that private and not-for-profit entities' views were not sought or considered thoroughly earlier in the standard-setting process. Earlier consideration of input from these stakeholders may have reduced both the FASB's deliberation time and the need to defer FIN 48's effective date for these entities. Since FIN 48 was issued, the FASB and the Trustees have invested considerable time addressing private company and not-for-profit entity issues raised by such stakeholders. The Trustees are seeking stakeholder input on their plan to improve the standard-setting process for private companies. Thus, we have no additional recommendations related to private entities.

PIR PROCESS

We received valuable stakeholder input on our PIR process from the FIN 48 questionnaire respondents and from our outreach meetings during the development phase of the PIR process. We plan to share the stakeholder input with the Oversight Committee and consider it during our internal review of the FIN 48 review process. We will modify and improve our PIR process after that internal review and as we complete our reviews of other standards.

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January 2012