

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515-6515

February 11, 2020

William D. Duhnke III
Chairman
Public Company Accounting Oversight Board
1666 K Street NW
Washington, DC 20006-2803

Dear Chairman Duhnke:

As the organization that oversees public company audits, your enforcement authority is crucial to protect millions of Americans, including small businesses. Pursuant to Rules X and XI of the United States House of Representatives, the Committee on Small Business is conducting oversight of the Public Company Accounting Oversight Board (PCAOB) and requesting information regarding the enforcement of Accounting Standards Codification 606, Revenue Contracts with Customers (ASC 606)¹ and the Update on Implementation Activities for Franchise Industry² issued by the Financial Accounting Standards Board (FASB) on November 5, 2018.

ASC 606 alters the timeframe for revenue recognition for franchisors which could severely impact businesses. Instead of the long-held standard of immediately recognizing franchise fees, ASC 606 delays the full recognition for up to twenty years. This change could devastate the franchise industry with closures and job losses. Acknowledging the impact on franchisors, FASB updated its guidelines to allow for the recognition of multiple performance obligations. However, it has come to the Committee's attention that the new guidelines are being underutilized by franchisors.

In light of our concerns, the Committee requests that PCAOB provide a staff briefing on this issue. Please contact Justin Pelletier with Chairwoman Velazquez at (202) 225-4038 and Robert Yavor with Ranking Member Chabot at (202) 225-5821 by February 21, 2020 to schedule this briefing. Thank you for your attention to this matter.

¹ CODIFICATION OF ACCOUNTING STANDARDS AND PROCEDURES, Revenue from Contracts with Customers, No. 2014-09 (Fin. Accounting Standards Bd. 2014)

²https://www.fasb.org/cs/ContentServer?c=Document_C&cid=1176171580176&d=&pagename=FASB%2FDocument_C%2FDocumentPage.

Sincerely,



Nydia M. Velazquez
Chairwoman
Committee on Small Business



Steve Chabot
Ranking Member
Committee on Small Business