

Letter of Comment No: 13 File Reference: 1099-001

July 29, 2004

Director of Major Projects and Technical Activities Financial Accounting Standards Board

File Reference No. 1099-001

Dear Sir or Madam:

The Accounting Principles Committee of the Illinois CPA Society (Committee) appreciates the opportunity to provide our perspective on the Exposure Draft of a Proposed Interpretation, Accounting for Conditional Asset Retirement Obligations, an interpretation of FASB Statement No. 143. The organization and operating procedures of the Committee are reflected in the attached Appendix A to this letter. These recommendations and comments represent the position of the Illinois CPA Society rather than any members of the Committee or of the organizations with which the members are associated.

Before commenting on the overall document, the Committee believes it is not clear whether it was the Board's intent in this Interpretation to require additional procedures to determine whether asset retirement obligations may exist, or just to clarify that known asset retirement obligations within the scope of the Interpretation are subject to SFAS 143. If companies have to review all operations to determine whether a previously unknown obligation may exist, substantial additional costs may be incurred without providing a large amount of additional information. Generally, existing laws and regulations do not impose a requirement to seek out potential remediation obligations (e.g. existence of asbestos in a building), and the Committee believes the accounting rules should not impose that requirement either.

The Committee agrees with the major conclusion of the Exposure Draft interpretation that a legal obligation to perform an asset retirement activity that is conditional on a future event is within the scope of FASB Statement No 143, Accounting for Asset Retirement Obligations.

Our specific comments relative to the issues are as follows:

Issue 1: The Committee agrees with the Board's conclusion that the uncertainty surrounding the timing and method of settlement should not affect whether the fair value of a liability for a conditional asset retirement obligation would be recognized but rather, should be factored into the measurement of the liability.

Issue 2: The Committee could not come up with an instance where a law or regulation obligates an entity to perform retirement activities but allows the entity to permanently avoid settling the obligation. Therefore, the Committee agrees with the Board's decision that the ability to indefinitely defer settlement of an asset retirement obligation or the ability to sell the asset does not provide the entity discretion to avoid the future sacrifice, nor does it relieve the entity of the obligation.

The members of the Accounting Principles Committee of the Illinois CPA Society thank you for the opportunity to respond to this proposal. We would be pleased to discuss our comments in greater detail if requested.

Sincerely,

James L. Fuehrmeyer, Jr., Chair

Accounting Principles Committee

## APPENDIX A

## ILLINOIS CPA SOCIETY ACCOUNTING PRINCIPLES COMMITTEE ORGANIZATION AND OPERATING PROCEDURES 2004 - 2005

The Accounting Principles Committee of the Illinois CPA Society (Committee) is composed of the following technically qualified, experienced members appointed from industry, education, government and public accounting. These members have Committee service ranging from newly appointed to more than 20 years. The Committee is an appointed senior technical committee of the Society and has been delegated the authority to issue written positions representing the Society on matters regarding the setting of accounting standards. The Committee's comments reflect solely the views of the Committee, and do not purport to represent the views of their business affiliations.

The Committee usually operates by assigning Subcommittees of its members to study and discuss fully exposure documents proposing additions to or revisions of accounting standards. The Subcommittee ordinarily develops a proposed response that is considered, discussed and voted on by the full Committee. Support by the full Committee then results in the issuance of a formal response, which at times, includes a minority viewpoint.

Current members of the Committee and their business affiliations are as follows:

## **Public Accounting Firms:**

Large (National Firms):

Janet I. Chase Altschuler, Melvoin & Glasser LLP

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Brian L. Heckler, CPA KPMG LLP

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Daniel J. McMahon, CPA Kupferberg, Goldberg, & Neimark, LLC

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