April 5, 2004

Ms. Suzanne Q. Bielstein
Director of Major Projects and Technical Activities
Financial Accounting Standards Board
of the Financial Accounting Foundation
401 Merritt 7, P.O. Box 5116
Norwalk, Connecticut 06856-5116

Letter of Comment No: 5
File Reference: 1200-300
Date Received: 4/5/04

Re: File Reference No. 1200-300

Dear Ms. Bielstein:

The Accounting Principles Committee of the Illinois CPA Society (Committee) appreciates the opportunity to provide our perspective on the Exposure Draft of the Proposed Statement of Financial Accounting Standards, ***Exchanges of Productive Assets, an amendment of APB Opinion No. 29.*** 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.

Our comments are as follows:

Issue 1: We believe that the commercial substance guidance will be difficult to implement in practice and therefore is not operational. A nonmonetary exchange transaction involves a presumption that two entities have entered into the transaction to exchange nonmonetary assets with fair values that are identical. As fair values should be equal to present values of cash flow streams, we find that it would be highly unlikely that we would have a transaction with different cash flow streams. We believe that it would be highly unusual to have significantly different cash flow amounts due to different timing and/or risk, but not have different present values. Thus, in practice, virtually all non-monetary exchanges would result in being classified as "without commercial substance" as defined by this exposure draft.

We also believe that the proposed changes to Opinion 29 would serve to encourage, rather than discourage, inappropriate gain recognition. It is our position that the gain calculation would be overly subjective and difficult to audit in that it would involve an auditor's implicit reliance on the presumed future cash flows of the asset given up in the exchange as compared to the less subjective estimated future cash flows of the asset received.

We would like to also highlight our concern that recognition of a gain, as the result of a nonmonetary transaction would be improper because the earnings process would be incomplete. Thus, it is the consensus of our committee not to permit gain recognition on nonmonetary exchanges in the absence of the culmination of the earnings process.

Issue 1(a): No comment as our position is to not implement the proposed guidance under this exposure draft.

Issue 1(b): No comment as our position is to not implement the proposed guidance under this exposure draft.

Issue 1(c): No comment as our position is to not implement the proposed guidance under this exposure draft.

Issue 2: No comment as our position is to not implement the proposed guidance under this exposure draft.

Issue 3: We agree that nonmonetary exchanges of real estate should continue to be accounted for under APB Opinion No. 29. Therefore, we have no recommendations for amending FASB Statement No. 66.

Issue 4: We agree that exchanges of equity method investments for similar productive assets should be accounted for within the scope of FASB Statement No. 140.

A further concern that became prevalent during our committee's review is the fact that the discussion contained in this exposure draft was not specific enough in its attempt to support how U.S. generally accepted accounting principles are enhanced by the decision to converge on this subject with the International Accounting Standards Board. Accordingly, we recommend that the explanation accompanying all exposure drafts arising from the convergence to International Accounting Standards address the specific reasons why convergence to the international standard on each proposed change would enhance U.S. generally accepted accounting principles.

The Illinois CPA Society appreciates the opportunity to express our opinion on this matter. We would be pleased to discuss our comments in greater detail if requested.

Sincerely,

Larry Sophian

Larry Sophian, Chair
Accounting Principles Committee

APPENDIX A

ILLINOIS CPA SOCIETY
ACCOUNTING PRINCIPLES COMMITTEE
ORGANIZATION AND OPERATING PROCEDURES
2003 - 2004

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):	
Jacquelyn K. Daylor, CPA	KPMG LLP
James L. Fuehrmeyer, Jr., CPA	Deloitte & Touche LLP
Brian L. Heckler, CPA	KPMG LLP
Alvin W. Herbert, Jr., CPA	Clifton Gunderson LLP
Steven C. Johnson, CPA	McGladrey & Pullen, LLP
Lisa M. Koblinski, CPA	Ernst & Young LLP
Richard H. Moseley, CPA	Altschuler, Melvoin & Glasser LLP
J. Christopher Rabin, CPA	Altschuler, Melvoin & Glasser LLP
Mark K. Scoles, CPA	Grant Thornton LLP
John M. Stomper, CPA	Deloitte & Touche LLP
Joan Waggoner, CPA	Blackman Kallick Bartelstein LLP
Medium (more than 40 employees):	
Marvin A. Gordon, CPA	Baygood, Telpner & Rose Chartered
Kirsten M. Lescher, CPA	Gleeson, Sklar, Sawyers & Cumpata LLP
Daniel J. McMahon, CPA	Kupferberg, Goldberg, & Neimark, LLC
Laurence A. Sophian, CPA	Ostrow, Reisin, Berk & Abrams, Ltd.
Small (less than 40 employees)	
Walter J. Jagiello, CPA	Walter J. Jagiello, CPA
Kathleen A. Musial, CPA	Benham, Ichen & Knox LLP
Roger L. Reitz, CPA	Cray, Kaiser Ltd., CPAs
John A. Rossi, CPA	William F. Gurrie & Co.
Industry:	
Peter J. Bensen, CPA	McDonald's Corporation
Melinda S. Henbest, CPA	The Boeing Co.
James B. Lindsey, CPA	TTX Company
John H. Wolter, CPA	Retired/Natural Gas Pipeline Company of America
Educators:	
Leonard C. Soffer, CPA	University of Illinois at Chicago
Charles A. Werner, CPA	Loyola University
Staff Representative:	
C. Patricia Mellican, CPA	Illinois CPA Society