ILLINOIS CPA SOCIETY

LETTER OF COMMENT NO. 2

January 4, 2008

Russell G. Golden
Director of Technical Applications and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

File Reference: Proposed FSP FAS 157-a

Dear Mr. Golden:

The Accounting Principles Committee of the Illinois CPA Society (Committee) appreciates the opportunity to provide our perspective on the proposed FASB Staff Position, *The Application of FASB Statement No. 157 to FASB Statement No. 13 and Its Related Interpretive Accounting Pronouncements that Address Leasing Transactions*. The organization and operating procedures of the Committee are reflected in Appendix A to this letter. These 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.

Committee Supports Proposal

The Committee supports the exclusion of leasing transactions from the scope of Statement No. 157, *Fair Value Measurement*.

Feedback on Specific Questions

As for our feedback on the two specific questions posed in the Notice for Recipients:

1. The Committee does not envision any significant costs will be incurred to implement the proposed FSP. For most entities, the proposed FSP will leave the treatment of leases as it currently stands. Not enacting the proposed FSP would lead to costs to comply with the new treatment that would be required under Statement 157. The costs to "unapply" the provisions of Statement 157 to leasing transactions would only apply to those relatively few entities that had early adopted the standard. While those entities will incur some costs, we believe that they will be less than the costs of not excluding leasing transactions from the provisions of Statement 157 going forward.
2. The Committee believes the transition provisions are appropriate.

Concerns about Due Process

The background information provided in the proposed FSP (beginning at paragraph 2) raises questions about due process. We note that there have been fairly major revisions to Statement 157 (including leasing transactions within the scope), Statement 159, *Fair Value Option* (including equity method investments within the scope), and Statement 141R *Business Combinations* (the accounting for acquired contingencies) that may have benefited from the comments that would have come from re-exposure. Statement 157 has raised implementation issues including measurement of liabilities using exit prices, applicability to pension assets of a sponsor, as well as applicability to leasing transactions. We suspect that more issues will arise because of the sweeping changes in measurement incorporated within the standard. A more comprehensive vetting of fair value accounting for equity method investments in Statement 159 may have identified issues for some uses of equity method accounting, especially when fair value accounting could in effect accelerate revenue recognition and perhaps it could have identified issues of potential conflict with Statement of Position 07-1, *Clarification of the Scope of the Audit and Accounting Guide Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies.* The new measurement rules for contingent assets and liabilities in Statement 141R have not been exposed for comment as well. The Committee appreciates that the Board is attempting to finalize standards in as timely a manner as possible. However, an important tradeoff is that final standards should anticipate implementation problems that are reasonably foreseeable, even if that means a delay for re-exposure or additional analysis by the Board's staff.

We appreciate the opportunity to offer our comments.

Sincerely,

John A. Hepp, Chair
Accounting Principles Committee

APPENDIX A
ILLINOIS CPA SOCIETY
ACCOUNTING PRINCIPLES COMMITTEE
ORGANIZATION AND OPERATING PROCEDURES
2007-2008

The Accounting Principles Committee of the Illinois CPA Society (Committee) is composed of the following technically qualified, experienced members appointed from industry, education 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 & regional)	
John A. Hepp, CPA	Grant Thornton LLP
Alvin W. Herbert, Jr., CPA	Retired/Clifton Gunderson LLP
Steven C. Johnson, CPA	McGladrey & Pullen LLP
Matthew G. Mitzen, CPA	Virchow Krause & Company, LLP
Laura T. Naddy, CPA	Crowe Chizek and Company LLC
Reva B. Steinberg, CPA	BDO Seidman LLP
Jeffery P. Watson, CPA	Blackman Kallick Bartelstein LLP
Medium: (more than 40 employees)	
Barbara Dennison, CPA	Selden Fox, Ltd.
Marvin A. Gordon, CPA	Frost, Ruttenberg & Rothblatt, P.C.
Ronald R. Knakmuhs, CPA	Miller, Cooper & Co. Ltd.
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
Industry:	
John M. Becerril, CPA	Cabot Microelectronics
Melinda S. Henbest, CPA	The Boeing Co.
James B. Lindsey, CPA	TTX Company
Anthony Peters, CPA	McDonald's Corporation
Educators:	
James L. Fuehrmeyer, Jr. CPA	University of Notre Dame
David L. Senteney, CPA	Ohio University
Leonard C. Soffer, CPA	University of Chicago
Staff Representative:	
Paul E. Pierson, CPA	Illinois CPA Society