



ILLINOIS CPA SOCIETY.



LETTER OF COMMENT NO. 24

March 2, 2009

Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

File Reference: Proposed FSP FAS 107-b and APB 28-a

Dear Sir/Madam:

The Accounting Principles Committee of the Illinois CPA Society (Committee) appreciates the opportunity to provide its perspective on the Exposure Draft of the Proposed FSP FAS 107-b and APB 28-a, "Interim Disclosures about Fair Value of Financial Instruments." 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 such members are associated.

Although the Committee appreciates the Board's desire to increase the information available to investors and regulators during the current crisis, we ask the Board to consider the costs and benefits of having all entities provide this information on a quarterly basis. We believe that one way to do this would be to update the provisions of FASB Statement No. 126, *Exemption from Certain Required Disclosures about Financial Instruments for Certain Nonpublic Entities—an amendment to FASB Statement No. 107*. Currently, the exemption in Statement 126 paragraph 2.c. only applies when the entity "has no instrument that, in whole or in part, is accounted for as a derivative instrument under FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, other than commitments related to the origination of mortgage loans to be held for sale during the reporting period." We believe that provision has been rendered obsolete by FASB Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133*. We therefore ask the Board to reconsider whether this provision is still necessary in Statement 126 and whether this can be eliminated in order to exempt more private companies from the provisions of Statement 107 and the proposed FSP.

We also are concerned that the provisions of the proposed FSP would further discourage larger private companies from preparing interim financial statements. We therefore ask the Board to consider whether the scope of the proposed FSP should include all private companies.



ILLINOIS CPA SOCIETY.

Finally, we are concerned about whether the benefits of preparing the disclosures required by Statement 107 on a quarterly basis are cost justified for smaller public entities, such as non-accelerated filers with public float of less than \$75 million.

Our comments in response to the questions raised in the document are as follows:

- 1. Do you agree that the proposed disclosures should apply to all financial instruments currently included within the scope of Statement 107? If not, which financial instruments do you propose should be included within the scope of this proposed FSP?*

We believe that the current scope of Statement 107 is appropriate for the proposed FSP as well.

- 2. Do you agree that the proposed disclosures should be applicable to all entities covered by Statement 107? If not, which entities do you propose should be exempt from the proposed additional interim reporting requirements?*

We do not agree that the proposed disclosures should apply to all entities covered by Statement 107 as currently described. Preparation of fair value information on a quarterly basis is likely to be costly and will not benefit all firms and their users equally. As noted in our general comments, at a minimum, we suggest that the provisions of Statement 126 be revised to eliminate the requirement in paragraph 2.c. that apply to annual and would apply to the proposed quarterly financial statements. We also ask that the Board consider exempting all private companies and public companies for which financial instruments are not significant from including this information in interim financial statements.

We also request the Board to consider whether smaller, public companies might be excluded from applying the provisions of the FSP by, for example, excluding nonaccelerated filers.

- 3. Are the proposed requirements to disclose fair value information for all interim and annual reporting periods ending after March 15, 2009, operational? If not, what would be an appropriate effective date? Why?*

We are concerned that the effective date is not operational for all entities and for all financial instruments on such short notice. We note that the final FSP is not likely to be issued in final form until late March at the earliest. While we appreciate that current economic conditions have contributed to strong demand for this information, we also note that preparing the information within such a short period of time would increase costs to reporting entities that are already under stress. For practical reasons, we suggest that the effective date not be earlier than periods ending after June 15, 2009 with earlier adoption encouraged.



ILLINOIS CPA SOCIETY.

4. *Are the proposed requirements to disclose the method(s) and significant assumptions used to estimate the fair value for all financial instruments for all interim periods subsequent to initial adoption operational? Why or why not?*

While it would perhaps be operational to disclose the methods and significant assumptions used to estimate the fair values for all financial instruments on a quarterly basis, we are concerned about the volume of disclosures being required in interim financial statements by this proposed FSP and other standards. We believe that interim financial statements should always be read in conjunction with the most recent annual financial statement. Therefore, we believe it may be more keeping with the nature of interim financial reports and of greater benefit to users to disclose changes in methods and significant assumptions since the last annual period rather than to repeat the disclosures from the annual report in the interim reports.

We appreciate the opportunity to offer our comments.

Sincerely,

John Hepp, CPA
Chair, Accounting Principles Committee



ILLINOIS CPA SOCIETY.

APPENDIX A
ILLINOIS CPA SOCIETY
ACCOUNTING PRINCIPLES COMMITTEE
ORGANIZATION AND OPERATING PROCEDURES
2008-2009

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)

James J. Gerace, CPA	BDO Seidman LLP
John A. Hepp, CPA	Grant Thornton LLP
Alvin W. Herbert, Jr., CPA	Retired/Clifton Gunderson LLP
Matthew G. Mitzen, CPA	Blackman Kallick LLP
Reva B. Steinberg, CPA	BDO Seidman LLP
Jeffrey P. Watson, CPA	Blackman Kallick 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.

Small: (less than 40 employees)

Walter J. Jagiello, CPA	Walter J. Jagiello, CPA
Kathleen A. Musial, CPA	BIK & Company LLP

Industry:

John M. Becerril, CPA	Cabot Microelectronics
Gloria M. Evans-Melton, CPA	National Council of State Boards of Nursing
Melinda S. Henbest, CPA	The Boeing Co.
James B. Lindsey, CPA	TTX Company
Michael J. Maffei, CPA	GATX Corp.
Laura T. Naddy, CPA	Gaming Capital Group
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
----------------------	----------------------