

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, CT 06856-5116

File Reference No. 1200-400

Dear Ms. Bielstein:

Letter of Comment No: 3/ File Reference: 1200-400 Date Received: 4/5/04

The Accounting Principles Committee of the Illinois CPA Society (Committee) appreciates the opportunity to provide our perspective on the Exposure Draft of Accounting Changes and Error Corrections—a replacement of APB Opinion No. 20 and FASB Statement No. 3. The organization and operating procedures of the Committee are reflected in the attached Appendix A to this letter. Our 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.

The Committee disagrees with the proposed statement's provision for retrospective application for changes in accounting principle. Our general consensus is that no compelling support has been given to the contention that retrospective application is preferable. We agree with the original view cited in paragraph 14(b) of APB 20, which states that "restating financial statements of prior periods may dilute public confidence in financial statements and may confuse those who use them. Financial statements previously prepared on the basis of accounting principles generally accepted at the time the statements were issued should therefore be considered final except for changes in the reporting entity or corrections of errors." The Committee noted that restating prior year financials would not reflect the choices or decisions made by management in those years in light of accounting principles in effect at that time. Additionally, many such restatements would lead to certain adjustments never appearing in a "current" income statement.

The Committee agrees with the proposed statement's requirement that a change in depreciation method be accounted for as a change in accounting estimate and not as a change in principle.

The Committee agrees that the guidance in APB 20 should be carried forward with respect to the reporting of (1) corrections of an error in previously issued financial statements, (2) changes in accounting estimates, (3) changes in reporting entity, and (4) the justification for changes in accounting principle.

We also agree that the guidance from FASB Statement No. 3, Reporting Accounting Changes in Interim Financial Statements should be carried forward.

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,

Laurence A Sophian, CPA

Chair, Accounting Principles Committee

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:

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