

September 30, 2010

Mr. Russell Golden Technical Director Financial Accounting Standards Board 401 Merritt 7, P.O. Box 5116 Norwalk, CT 06856-5116

File Reference No. 1790-100

Dear Mr. Golden:

The Accounting Principles Committee of the Illinois CPA Society (Committee) appreciates the opportunity to provide its perspective on the exposure draft, *Comprehensive Income (Topic 220)*. The Committee is a voluntary group of CPAs from public practice, industry and education. Our comments represent the collective views of the Committee members and not the individual views of the members or the organizations with which they are affiliated. The organization and operating procedures of our Committee are outlined in Appendix A to this letter.

Our Committee supports the Board's overall efforts to improve comparability, consistency and transparency, and its goal to converge with IFRS. A majority of our Committee members fully support the proposal to mandate one continuous statement of comprehensive income. In their view, this approach will increase the prominence of comprehensive income. It will put together in one statement, all the items, other than transactions with owners, that impact equity. Several of our members, however, do not fully support this proposal. They agree that comprehensive income is an important metric. However, they believe that net income is the key measure used by analysts and investors to assess business performance. The proposal to mandate one continuous statement may de-emphasize this important metric, and may, in fact confuse some users as to the significance of items of other comprehensive income. These members believe that an entity should continue to have the option to provide one continuous statement of comprehensive income or to provide a stand-alone statement of comprehensive income that begins with net income.

The Committee as a whole, recommends that the Board, in conjunction with the IASB, develop a conceptual framework for determining what types of items, if any, should be included in other comprehensive income and when or if these items should be "recycled" (i.e., removed from other comprehensive income when it is appropriate to recognize them in net income). It seems to us that, over time, other comprehensive income has developed haphazardly as a holding place for changes in net assets that some believe may cause too much income statement volatility. The need for general principles that clearly define the conceptual meaning of other comprehensive income takes on added importance as the Board and IASB increase efforts towards convergence and add more items to those already included in other comprehensive income. Other comprehensive income should not simply be a device to avoid income statement recognition, but rather a well-defined accounting construct.



Our responses to the specific questions are included below:

Question 1: Do you agree that requiring a continuous statement of comprehensive income will improve the comparability, transparency, and understandability of financial statements such as relationships between changes in the statement of financial position, the components of other comprehensive income, and the components of net income in each period? If not, why not, and what changes would you suggest to the amendments in this proposed Update?

As discussed above the majority of our members believe the proposal will improve transparency and understandability. We do not believe, however, that this proposal will increase comparability. In our view, comparability will only be improved when the differences between IFRS and U.S. GAAP are eliminated. We are especially concerned about the differing views in regard to recycling.

Question 2: Do you agree that the option should continue to report the tax effect for each component of other comprehensive income either in the statement of comprehensive income or in the notes to the financial statements?

We agree that it is important to understand the tax effect of each component of other comprehensive income. An entity should have the option to present the tax effect for each component on the statement or in the notes.

Question 3: Do you believe that a requirement to display reclassification adjustments for each component of other comprehensive income in both net income and other comprehensive income in the statement of comprehensive income would improve the understandability and comparability of financial statements?

We believe it would be confusing to present reclassification adjustments separately for each component of other comprehensive income in net income, and, also, in other comprehensive income. We believe that disclosing the reclassification adjustments for each component of comprehensive income only in the statement of comprehensive income should be sufficient.

Question 4: What costs, if any, will a reporting entity incur as a result of the proposed changes?

We believe costs the implementation costs of the proposed changes will be minimal.

Question 5: The Board plans to align the proposed effective date of the amendments in this proposed Update with the effective date of the amendments in the proposed Update on financial instruments. Are there any significant operational issues that the Board needs to understand to determine the appropriate effective date for the amendments in this proposed Update?



We agree with the Board's approach. We are not aware of any significant operational issues.

Question 6: The amendments in this proposed Update would not change the guidance on the calculation and display of earnings per share. Do you believe that the Board should change the guidance on earnings per share? If so, what changes would you recommend and why?

As discussed above, our Committee believes that net income is a key metric. We strongly support the Board's decision not to change the guidance on earnings per share.

Sincerely,

Reva Steinberg, CPA

Chair, Accounting Principles Committee

Jeffery Watson, CPA

Vice-chair, Accounting Principles Committee



## APPENDIX A

## ACCOUNTING PRINCIPLES COMMITTEE ORGANIZATION AND OPERATING PROCEDURES 2010-2011

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:

McGladrey & Pullen LLP

Retired/Clifton Gunderson LLP

Grant Thornton LLP

Crowe Horwath LLP Blackman Kallick LLP

Blackman Kallick LLP

BDO USA LLP

## **Public Accounting Firms:**

 $\pmb{Large:} \ (national \ \& \ regional)$ 

Robert A. Dombrowski, CPA John A. Hepp, CPA

Alvin W. Herbert, Jr., CPA

Scott G. Lehman, CPA
Matthew G. Mitzen, CPA
Reva B. Steinberg, CPA
Jeffery P. Watson, CPA

**Medium:** (more than 40 professionals)

Gilda M. Belmonte, CPA E.C. Ortiz & Co, Ltd.

Marvin A. Gordon, CPA Frost, Ruttenberg & Rothblatt, P.C.

Ronald R. Knakmuhs, CPA Miller, Cooper & Co. Ltd.

Jennifer L. Williamson, CPA Ostrow Reisen Berk & Abrams Ltd.

Small: (less than 40 professionals)

Barbara Dennison, CPA Selden Fox, Ltd. Kathleen A. Musial, CPA BIK & Co, LLP

Michael D. Pakter, CPA Gould & Pakter Associates LLC

**Industry:** 

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Kenneth J. Frederickson, CPA

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