

November 22, 2011

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

File Reference No. 2011-240

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 the Committee are outlined in Appendix A to this letter.

Our Committee supports the Board's decision to defer and redeliberate those changes in Update 2011-05 that relate to the presentation of reclassification adjustments.

Our responses to the specific questions are included below:

Question 1: *Do you agree with the deferral? Why or why not?*

Yes, we agree with the deferral. We believe that stakeholders have raised very valid operational concerns about the new presentation requirements, particularly the requirement to present reclassification adjustments by component of net income. We believe it is impracticable to capture and report the indirect net income impacts that occur after a reclassification adjustment has first been capitalized into inventory or fixed assets. For instance, capitalized pension-related costs may be allocated to many different inventory items and/or to assets with varying lives. Once capitalized, these overhead costs lose their individual identity. It seems clear that the cost of developing software to capture such reclassifications and track the subsequent impacts to net income would exceed any benefit to financial statement users. In fact, it may not even be possible to do so in certain situations, such as for companies using the composite depreciation method.

Question 2: Are there alternatives that the board should consider for presenting reclassifications out of accumulated other comprehensive income that would be more cost effective than the one required by Update 2011-05?

Yes. We believe that a cost-effective alternative is to require disclosure, in the notes, of the financial statement line items to which adjustments out of accumulated other comprehensive income have *initially* been reclassified to, whether on the balance sheet or the income statement. This approach has two advantages. First, it removes the requirement to track indirect net income impacts. Second, it resolves the concern over cluttering the income statement, as referred to in paragraph BC7 of the exposure draft and paragraph B12 of Update 2011-05.

With regard to cluttering the statements, our members in the preparer community have found that, for a diversified public company, presenting the reclassification adjustments as suggested in Update 2011-05 will result in a six-column comparative statement of net income, and it could lengthen the statement considerably. For instance, a single entity may hedge revenue, cost of goods sold, operating expenses and interest. It may amortize pension-related gains and losses to operating expense, while capitalized gains and losses subsequently impact depreciation. Finally, its equity-method investees may have reclassification adjustments. Many of these impacts may be immaterial to some or all of the periods presented, such as the amortization of prior service costs included in the example in 220-10-55-7. Nevertheless, we expect there will be pressure to disclose all of the impacts.

We reiterate our 2010 comment that it would be confusing to present reclassification adjustments separately for each component of other comprehensive income in *both* net income and other comprehensive income. There will be added confusion for the financial statement user when reclassification adjustments have first been capitalized, such that the reclassifications out of other comprehensive income do not equal the reclassifications into net income.

We believe that disclosing the reclassification adjustments for each component of comprehensive income *only* in the statement of comprehensive income, together with the note disclosure proposed above, should be sufficient. Furthermore, we observe that *note* disclosure of the financial statement line item(s) impacted by reclassification adjustments is consistent with the existing requirements of 815-10-50-4C(c) and 4D(b) for derivative instruments designated as cash flow hedges.

Question 3: If you provide an alternative in Question 2 above, please explain how your alternative would better serve the needs of users of financial statements than current requirements.

The alternative suggested above would provide all of the information required by Update 2011-05, except for the indirect net income impacts. While it would not improve the disclosures required by Update 2011-05, the suggested alternative is a clean, feasible solution that would provide better information to financial statement users than is currently available, prior to the adoption of Update 2011-05.

We appreciate the opportunity to offer our comments.

Sincerely,

Jeffery P. Watson, CPA

Chair, Accounting Principles Committee

Scott G. Lehman, CPA

Vice-chair, Accounting Principles Committee

APPENDIX A

ACCOUNTING PRINCIPLES COMMITTEE ORGANIZATION AND OPERATING PROCEDURES 2011-2012

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:

Jet Support Services, Inc.

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