



November 30, 2012

Technical Director
Financial Accounting Standards Board
401 Merritt 7, P.O. Box 5116
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The Accounting Principles Committee of the Illinois CPA Society (Committee) appreciates the opportunity to provide its perspective on the Financial Accounting Standards Board's (the Board) Invitation to Comment, *Disclosure Framework* (the ITC). 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.

In general, we disagree with the Board's overall approach in the ITC, which appears to consist of the development of a list of questions the Board would answer in determining whether a particular disclosure should be required. We do not believe this approach will result in a useful addition to the conceptual framework. Further, these questions were apparently developed after studying and categorizing existing disclosure requirements. As a result, we believe the Board's list of questions mostly appear to justify the disclosure requirements that already exist in GAAP. We do not believe this approach is likely to produce a framework that will meet the Board's objective of improving the effectiveness of disclosures in notes to financial statements.

By contrast, the European Financial Reporting Advisory Group (EFRAG) Discussion Paper, *Towards a Disclosure Framework for the Notes* (the EFRAG Paper) approached the issue from its logical beginning: clearly defining the purpose of the notes to the financial statements. Where the ITC "does not attempt to define in a single sentence a boundary for notes to financial statements," the EFRAG provides specific objectives that it believes effectively define the "boundary of the notes." The EFRAG Paper goes on to provide a list of "indicators that assist the standard setters to assess when disclosures are needed." While the EFRAG indicators appear similar in many respects to the Board's "questions," the indicators are provided to support the purpose and objective of the framework, and do not represent the framework itself.

We prefer the approach taken in the EFRAG Paper and generally agree with many of their findings and proposals, particularly that the framework should define the boundary for the notes. We believe that disclosures should relate to the primary financial statements. They should expand upon or clarify the information in the financial statements so that analysts and other users may be able to make their assessments of cash flow prospects. The purpose of the notes should not be for the firm to disclose its own assessment of future cash flows. There may be other vehicles where such an assessment is appropriate or implied by the content, such as in the MD&A or other communications with investors. However, the audited financial statements and the related notes should relate solely to the firm's historical performance in the years presented and its financial position as of the balance sheet date, including uncertainties related to amounts recorded for past transactions and events.

We have provided responses to the specific questions included in the ITC below. However, we recommend that the Board base its future efforts in this project on the approach outlined in the EFRAG Paper, clearly defining a) the purpose of the notes to financial statements, b) the objectives for the information included and c) the indicators for what information is likely to satisfy the purpose and objectives.

Chapter 1—Scope and Introduction

Question 1: The details of this Invitation to Comment do not focus on the informational needs of donors to not-for-profit organizations. How, if at all, should the Board’s decision process (see Chapter 2) be supplemented to consider the needs of donors? How, if at all, should not-for-profit reporting entities modify their decision-making process (see Chapter 4) for the needs of donors when deciding which disclosures to include in notes to financial statements?

The information needs of donors to not-for-profit organizations differ substantially from the needs of investors and creditors who use the financial statements of for-profit entities. There is certainly an element of financial reporting that is important to donors. For example, they want to know the organization’s cost to provide, and the portion of its revenues devoted to, administrative functions such as management and fundraising. However, donors’ informational needs go much further into and may even focus on non-financial information. Donors are interested in the services provided by the organization to its clients or recipients. They want to know what has been accomplished with their donations and why this organization is a better vehicle for achieving the donors’ desired outcomes than other organizations. To a large extent, donors’ informational needs cannot be framed in terms of enhancing their ability to forecast the entity’s future cash flow streams.

Because donor’s informational needs are so different, if the Board continues with its current approach we do not believe it should expand the scope of this project to consider the needs of donors to not-for-profit organizations. Specifically, Chapter 2 should not be supplemented to consider the needs of donors. Furthermore, Chapter 4 should not consider how not-for-profit reporting entities should modify their decision processes when deciding which disclosures to include in their reports. We are not suggesting that assessing the disclosure needs of donors’ to not-for-profit organizations is unimportant, only that it is so different that this project is not the appropriate mechanism for making that assessment.

Not only should the scope not be expanded, but the final document should explicitly exclude not-for-profit organizations from its scope. The Board might want to consider a separate project to consider disclosure issues for not-for-profits independent of this project.

That said, we believe that if the ITC were to arrive at an objective and purpose for the notes that is similar to that in the EFRAG Paper, such a framework might be effective for both public and private companies.

Chapter 2—The Board’s Decision Process

Question 2: Do the decision questions in this chapter and the related indicated disclosures encompass all of the information appropriate for notes to financial statements that is necessary to assess entities’ prospects for future cash flows?

Question 3: Do any of the decision questions or the related indicated disclosures identify information that is not appropriate for notes to financial statements or not necessary to assess entities’ prospects for future cash flows?

We believe the list of questions in the ITC is fairly comprehensive. However, we don't believe that a substantial list of possible questions is an appropriate contribution to the Conceptual Framework. We believe the Board's decision process or framework should be established at a much higher level in terms of stated disclosure principles or objectives. As noted above, we believe it is crucial for this project to define the purpose of the footnotes in the audited financial statements and how that purpose fits within the objectives of financial reporting is an important first step.

Many of the questions highlighted in Chapter 2 are broadly written and appear to expand the types of information that currently appear in the notes. Specifically, we believe some of these questions lead to forward-looking or analytical disclosures. For public companies, these types of disclosures are better provided outside the audited financial statements as currently required in Management's Discussion and Analysis (MD&A) or risk factor discussions. There needs to be a high level of sensitivity to auditability and legal risk created around forward-looking disclosures that could be part of any future footnote disclosure requirements.

We support categorizing information requirements as a means of determining a workable framework for footnote disclosure. We believe the three proposed categories are appropriate (information about the entity, financial statements, and certain events or conditions, as long as the last category is limited to past events and existing conditions).

Question 4: Would these decision questions be better applied by reporting entities instead of the Board? In other words, should the Board change its practice of establishing detailed requirements in each project and, instead, establish a single overall requirement similar to the questions in this chapter?

We support an approach that establishes or clarifies overall disclosure objectives or principles as part of the Conceptual Framework. We also support the continued practice of determining disclosure requirements on a project-by-project basis along the appropriate guidelines to be established by this project for the Conceptual Framework. However, we believe that in many instances the guidance by project should be less prescriptive in nature. It is useful to provide examples of potential disclosures as part of all projects. This helps clarify the requirements. Some of these examples can help establish a range of disclosures depending on the relevance to the specific reporting entity.

Question 5: Do you think that this decision process would be successful in helping the Board to set more effective disclosure requirements? If not, what would be a better approach?

We realize the introduced decision process in Chapter 2 is not sufficiently developed or refined in terms of creating an effective disclosure framework. However, as noted above, we do not agree with the Board's overall approach in this ITC. We believe this is an extremely important project that should be accelerated based on the current concerns in terms of disclosure overload and complexity, and the need for the Board to have a more focused decision framework for use in the future standard setting process.

A comprehensive disclosure framework should define the purpose of the notes, consider the nature and content of information requirements, and determine the appropriate frequency and placement of disclosure (i.e. audited footnotes vs. MD&A for a public company). The framework must strike a balance between comparability and disclosures that are relevant for the reporting entity. It is essential that the FASB partner

with the Securities and Exchange Commission (SEC), while continuing their outreach efforts with other stakeholders. This will aid in defining the appropriate placement of disclosure requirements.

Under the current reporting model, the financial statement content focuses primarily on historical information and additional disclosures about existing conditions as of the reporting date that should be relevant to users of the financial information. We do not believe that the financial statements are intended to provide users with the assumptions and expectations of management about future performance. It is not clear from the ITC whether the Board agrees with these statements. However, if the Board believes this type of forward-looking or analytical information should be included in the financial statements, we suggest the Board establish a separate project to discuss whether the MD&A (or a similar discussion) should be included as part of the financial statements.

Footnote information must be auditable and cost effective to prepare. For public companies, footnote information along with other disclosure requirements in public filings can be used for the purpose of assessing future performance by the appropriate stakeholders. It is important to consider that information in the financial statements is not afforded the same legal protections as other information provided elsewhere in public filings.

Expanding the content of financial statements beyond the traditional scope exposes companies to additional risks related to forward-looking information. This information is better disclosed in MD&A or elsewhere in the public filing covered by these protections. The subjectivity associated with some of these disclosures may be misinterpreted by users or may convey a higher degree of reliability if included in audited financial statements.

As the staff informally tested the decision questions against various accounting topics and the current disclosure requirements, it would be interesting to stakeholders to understand those results. We understand the testing was not necessarily complete or rigorous enough to draw firm conclusions. However, the Board should consider sharing the findings.

Chapter 3—Making Disclosure Requirements Flexible

Question 6: Would any of the possibilities in this chapter (see paragraphs 3.8 and 3.11) be a practical and effective way to establish flexible disclosure requirements?

Yes. We agree with the Board that permitting or requiring selectivity in applying disclosure requirements may be the “single best way to reduce volume enough to enable users of the financial statements to more easily find the information they need.” We also agree with the Board that the two extremes presented - having either the Board or the reporting entities take complete responsibility for judgments - would be problematic.

On the one hand, the Board cannot possibly incorporate into its guidance the multitude of factors that drive the relevance of an ASC topic to each unique reporting entity. Using factors such as size or industry would be too simplistic. On the other hand, placing all of the judgment on the reporting entities seems unworkable in our litigious society. Reporting entities seem somewhat hesitant to make even objective, quantitative materiality judgments. A relevance judgment would be subjective and more difficult to support. The more difficult the judgment is to support, the more likely entities will revert to excessive disclosure.

We believe that some of the possibilities suggested between the two extremes do have promise.

Question 7: If more than one approach would be practical and effective, which would work best?

We believe that a blend of the less-prescriptive approach and the minimum-and-expanded approach holds the most promise. The less-prescriptive approach allows for more flexibility, yet at the cost of reduced comparability in the disclosures of different reporting entities. The minimum-and-expanded approach would achieve some basic comparability, while still allowing some flexibility. It effectively puts a limit, or floor, on the relevance judgments made by a reporting entity. Of course, it would be necessary to reiterate that the “minimum” disclosures may still be omitted if quantitatively immaterial.

We find the tiered approach described in paragraph 3.11(d) to be far too structured, allowing insufficient flexibility. This approach requires the board to “presume” the drivers of relevance for a particular ASC Topic. For instance, the 3-tier pension example presumes that relevance is driven by “activity and complexity,” whereas other factors could influence relevance, such as funded status or a cost-recovery mechanism, if we are to presume that investors are primarily concerned with cash flows. It is simply not feasible to identify all factors that might affect relevance.

Take for example a rate-regulated monopoly that uses derivatives to hedge commodity purchases for customers, with a rate rider providing full recovery from customers upon settlement of the derivative. In this instance, a financial statement user might only be concerned about the cash needed for margining requirements, counterparty credit risk, any risk of non-recovery from customers, and the industry-specific accounting employed. This information could be captured in a few sentences.

Finally, allowing entities to judge the relevance of every potential disclosure set forth by the Board, as described in paragraph 3.11(b), seems too close to the extreme to be workable.

Question 8: Are there other possibilities that would work better than any of the ones discussed in this chapter?

As noted above, some combination of approaches may work best, and it may be helpful to underscore the judgments that reporting entities should already be making about materiality.

Chapter 4—Reporting Entities’ Decisions about Disclosure Relevance

Question 9: This chapter attempts to provide a benchmark for judgments about disclosure relevance by clarifying the objective for the judgments. Is the description of the approach clear enough to be understandable? If not, what points are unclear?

Baseline Assessments

Chapter 4 is premised on the notion that a well-informed user could make an initial assessment of an entity’s future cash flows from the information in the financial statements alone, or a baseline assessment. This assessment would exclude the effects of any supplemental disclosures on the user’s beliefs about future cash flows. A disclosure is considered relevant if it would alter the user’s assessment from the baseline assessment.

The above conceptual approach may be workable when the disclosures in question are qualitative characteristics. In fact, the examples provided at 4.19(b)(1)-(3) are all of this nature. The examples are:

- A baseline assessment would assume sales are at arm's length and final, absent a disclosure to the contrary.
- A baseline assessment would assume financial instruments have no unusual terms or embedded derivatives, absent a disclosure to the contrary.
- A baseline assessment would assume assets are unrestricted, absent a disclosure to the contrary.

The approach described in Chapter 4 may be less workable in situations where the disclosure is quantitative in nature or when it is not clear what constitutes a “typical” transaction, the implicit assumption the user makes in the absence of any disclosure to the contrary.

An example of a quantitative disclosure that would not fit well into this framework is as follows: A financial statement user would likely assume that the amount reported in the balance sheet for accounts receivable is the entity's best estimate of the collectible amount. Therefore, under the framework in Chapter 4, no disclosure about the allowance for uncollectible accounts would be necessary unless the net receivable reported in the balance sheet deviated from the amount expected to be collected. Because receivables are supposed to be reported at the amount expected to be collected, there should not be any such deviation. Therefore, a financial statement preparer might argue that no disclosure about the magnitude of the allowance is necessary as long as GAAP was followed and the net receivable is the preparer's best estimate of the amount that will be collected. However, we believe a financial statement user would want information about the allowance in order to confirm or reject the baseline assessment that the reported receivables are collectible and to compare the allowance to other similar entities for reasonableness.

An example of a situation where it is not clear what constitutes a “typical” transaction might be the length of an operating lease. While it might be reasonable to assume, for example, that a lease has no renewal options if there is no disclosure to the contrary, it would be difficult to assert that a user has assumed any particular length to an operating lease. Nevertheless, the length of the lease is critically important to the proper interpretation of the lease's impact on the firm's financial condition. How would a user constructively capitalize a lease with no guidance as to its length? Could the disclosure of that information be avoided by asserting that the lease is of a length a reasonable user would assume in the absence of any information about the lease? Under the suggested approach, we believe users could take that position and that it could lead to the unreasonable elimination of important information from the lease disclosure.

Materiality v. Relevance

Although Chapter 4 treats materiality as distinct from disclosure relevance, it is not clear these concepts are really different. A disclosure is generally said to be material if it would influence an informed user's beliefs. Materiality is not typically defined merely in terms of magnitude. Magnitude is but one factor used to assess materiality. So it is not clear how the concept put forth in the chapter differs from materiality. We note the EFRAG Paper provides that the concept of materiality is essentially “an entity-specific aspect of relevance.” To avoid confusion in the future, we recommend that the Board clarify its use of these terms.

Question 10: Can this approach (or any approach that involves describing the objective for the judgments) help identify relevant disclosures? If so, what can be done to improve it? If not, is there a better alternative? What obstacles do you see, if any, to the approach described?

This question relates to Question 9. We are concerned that the baseline assessment framework may not be applicable to all situations. Another possible framework is to consider a disclosure to be relevant if:

- a reasonable user is likely to misinterpret information in the financial statements if the disclosure is not provided, or
- the disclosure significantly extends a reasonable user’s understanding of an entity’s financial condition and/or performance beyond what can be gleaned from the financial statements themselves, or
- the disclosure describes significant assumptions made to arrive at the measurements in the financial statements.

We believe the above framework avoids the problems inherent in trying to assess what a well-informed user’s baseline cash flow forecast might be.

We are also concerned that any disclosure framework is likely to face an obstacle in that the United States has developed over the years an approach to financial reporting that is not inherently principles and judgment based. Preparers are likely to ask for more and more guidance about specific disclosures and whether they are necessary. Without additional guidance they may take the “safe” route and provide some disclosures regardless of whether they are actually very relevant.

Question 11: Reporting entities would need to document the reasons for their decisions about which disclosures to provide. How would reporting entities document the reasons for their disclosure decisions and how would auditors audit those decisions?

We are concerned that documenting the non-relevance of a disclosure might be more difficult and costly than simply providing the disclosure, resulting in no significant reduction in disclosure volume or elimination of superfluous disclosures. In light of having to justify the assertion that a reasonable user’s cash flow estimates would be unaffected by the lack of disclosure, we foresee preparers having to create cash flow forecasts with and without certain information in order to show there is no material difference between them. While there may be an argument that the framework described in the Discussion Paper is useful in the abstract, we are concerned that it is not practical to implement.

That said, auditors and preparers are already doing what is proposed to some extent regarding materiality judgments. They consider the effect of a disclosure or a financial statement line item on the beliefs of users. If the framework were to be developed in a more concrete way other than in terms of the effect on a hypothetical user’s cash flow forecasts, it might be workable. Further, auditors who take a risk-based approach to an audit may be willing to allow certain disclosures to be eliminated. A risk-based approach is likely to mirror the assessments of relevance. An auditor who views the elimination of a disclosure as being not risky from an audit perspective is in effect saying the disclosure is not particularly relevant.

Chapter 5—Format and Organization

Question 12: Would any of the suggestions for format improve the effectiveness of disclosures in notes? If so, which ones? If not, why not?

Yes, we agree that all the suggestions provided would improve the effectiveness of disclosures and applaud these suggestions. Just as we welcomed the SEC document, *A Plain English Handbook* (www.sec.gov/pdf/handbook.pdf), we believe the Chapter 5 suggestions are helpful. However, we observe

that format and organization is icing on the effective disclosure cake. Great format and organization will not make ineffective disclosure effective. As a result, we believe the recommendations for effective format and organization should be kept brief as these suggestions do not address the key issue inhibiting disclosure effectiveness.

Question 13: What other possibilities should be considered?

We have no additions to suggest. However, we note that the ITC does not address XBRL at all. In light of the recent implementation of detailed tagging of the footnotes by many companies, we are interested in the Board's views on the impact, in any, on XBRL, on the notes to the financial statements. For instance, if disclosures become more principles-based, then block tagging may still be appropriate, but detailed tagging may become increasingly difficult.

Question 14: Do any of the suggested methods of organizing notes to financial statements improve the effectiveness of disclosure?

It is difficult to envision footnotes presented in order of relevance with related information grouped. We find the concept appealing but the implementation and the end product confusing. How will the user ensure that all long-term debt (or derivatives) have been addressed? The user would be required to read each footnote, adding each item, to reach the total on the balance sheet. This raises the question of whether the related nature of transactions or completeness should have priority in footnote disclosures.

We find the operating, investing, and financing classifications useful and operational when discussing the cash flow statement. Until the balance sheet is presented under these classifications, we do not believe that footnote disclosures should be presented under this structure.

Question 15: Are there different ways in which information should be organized in notes to financial statements?

We have no suggestions for other ways in which to organize the information.

Chapter 6—Disclosures for Interim Financial Statements

Question 16: Do you think that any of the possibilities in this chapter would improve the effectiveness of disclosures for interim financial statements?

We believe that the detail required for an annual disclosure effectiveness framework is not necessary for interim reporting statements as users have the annual financial statements for reference. We support the SEC interim disclosure framework as it is principles-based and workable. We believe preparers should decide which disclosures are needed to prevent the interim statements from being misleading and highlight material events that occurred during the interim period.

Question 17: If you think that a framework for the Board's use in deciding on disclosure requirements for interim financial statements would improve the effectiveness of interim reporting, what factors should the Board consider when setting disclosure requirements for interim financial statements?

We believe the principles-based framework described in answer to Q16 is flexible and workable for the Board.

Question 18: If you think that a framework for reporting entities' use in deciding on disclosures for interim financial statements would improve the effectiveness of interim reporting, what factors should reporting entities consider when providing disclosures for interim financial statements?

We believe the principles-based framework described in answer to Q16 is flexible and workable for reporting entities.

Question 19: What impediments do you see regarding the development of a framework for the Board, reporting entities, or both that addresses disclosures for interim financial statements?

We have found that principles-based interim reporting works well for the SEC reporting organizations. Consequently, we have confidence in this framework for guiding interim reporting for all reporting entities that report on an interim basis.

Chapter 7—Other Matters for Discussion

We believe a key function of the accounting policy disclosure is to provide context for the amounts included in the financial statements. In this regard, we do not believe it would be user friendly to place this information outside of the financial statements (for example, on the entity's website).

Question 20: Would the change to the requirements described in paragraph 7.8 for disclosure of the summary of accounting policies improve the effectiveness of disclosure?

We agree that the proposal in paragraph 7.8 would be effective at limiting the accounting policy disclosures to the alternatives selected and to the accounting methods applied where no accounting guidance exists. However, the proposal also adds an MD&A-like quantitative disclosure (the magnitude of the effect of alternatives not chosen, if unusual or dramatic), and we object to this quantitative disclosure. If other alternative methods are not employed by the reporting entity, it seems impracticable in most cases to have the entity compute the impact had they employed the alternative method.

We believe that a better approach would be to simply amend the current disclosure requirement in ASC 235-10-50-3 as follows:

... ~~in particular, it shall encompass~~ while limiting the disclosure to those accounting principles and methods that involve any of the following:

- a. A selection from existing acceptable alternatives
- b. Principles and methods peculiar to the industry in which the entity operates, even if such principles and methods are predominantly followed in that industry
- c. Unusual or innovative applications of GAAP.

In addition, it may be helpful to underscore the importance of the current requirement to disclose only principles and methods that "materially affect" the financial statements.

Question 21: Should the summary of accounting policies include information about industry-specific accounting policies?

A brief summary is useful to the reader in some instances, but judgment would need to be applied. For example, there may be nothing particularly noteworthy or surprising about many of the accounting policies applied by a manufacturing or retail business, yet a primer on the basic accounting policy applied by a rate-regulated business might be very useful because it may be very different from what one might expect.

Similarly, if an airline or any business charges major repair costs to expense when incurred, that is not particularly noteworthy. Yet, if an airline elects either the built-in overhaul method or the deferral method (allowed by ASC 908-360-25-2) for its major maintenance, rather than the direct expensing method, that would be noteworthy.

Question 22: Are there other required disclosures that could be modified or eliminated in the short term that would result in a significant reduction in the volume of notes to financial statements?

Several prospects come to mind, although some would require partnering with the SEC. Here are a few suggestions:

Accounting Policies - The derivative accounting policy disclosures required by ASC 235-10-S99-1(n) very often exceeds a page, and much of it simply explains the basic mechanics of derivative and hedge accounting.

New Accounting Pronouncements – Another example is the disclosure of new accounting pronouncements required by ASC 250-10-S99-5. The level of disclosure seems to vary considerably from entity to entity, often depending upon the audit firm engaged by a reporting entity. Some entities will list every new pronouncement, even if it does not apply to the entity or if it impacts only future disclosures and not the financial statements. Other reporting entities will limit this disclosure to pronouncements that could potentially have a material impact on the reporting entity's financial statements. These entities are already making judgments about materiality and relevance.

Financial Instruments, Derivatives and Fair Value – We believe that some redundancy exists in these disclosures. It probably came about as the requirements were separately developed, and because the more recent requirements are very prescriptive in terms of format and location. A bit more flexibility in the layout may allow companies to streamline the information disclosed by tailoring it to their unique circumstances. Also, reduced disclosures for interim periods, similar to what is allowed for defined-benefit retirement plan disclosures, would be very helpful.

Retirement Benefits – Most of the required disclosure for defined benefit plans is pulled directly from the actuarial reports on the plans. If there were a way to make those reports publicly available, so they could be referred to, the disclosure could be greatly reduced.

Variable-Interest Entities (VIE) - The requirement for a reporting entity to explain the judgments it made in determining whether it is the primary beneficiary of a VIE (ASC 810-10-50-12), and even the judgments it made in determining whether it must *disclose* its involvement in a VIE (ASC 810-10-50-2AA), seems well beyond the objective of reporting relevant information to financial statement users. This information seems more suitable for an internal document and the auditor's work papers.

Accumulated Other Comprehensive Income (AOCI) - The ever-growing list of ACOI disclosures could be somewhat reduced if all entities were required to display income taxes on one line in comprehensive income, just as they do for income from continuing operations. That way, the AOCI disclosures would be limited to pre-tax impacts. It seems inconsistent and excessive to have income tax disclosures detailed by other-comprehensive-income component, including reclassification adjustments (ASC 220-10-45-12), when there is no similar requirement to allocate income taxes to each line of income from continuing operations, or the activity in those lines.

Unaudited Selected Quarterly Financial Data – This information required by ASC 270-10-50-1 is readily available in the public domain.

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
2012-2013

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 fully study and discuss 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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