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, Connecticut 06856-5116

Re: File Reference No. 1200-300

Dear Ms. Bielstein:

The Accounting Principles Committee of the Illinois CPA Society (Committee) appreciates the opportunity to provide our perspective on the Exposure Draft of the Proposed Statement of Financial Accounting Standards, *Exchanges of Productive Assets, an amendment of APB Opinion No. 29*. 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 the members are associated.

Our comments are as follows:

**Issue 1:** We believe that the commercial substance guidance will be difficult to implement in practice and therefore is not operational. A nonmonetary exchange transaction involves a presumption that two entities have entered into the transaction to exchange nonmonetary assets with fair values that are identical. As fair values should be equal to present values of cash flow streams, we find that it would be highly unlikely that we would have a transaction with different cash flow streams. We believe that it would be highly unusual to have significantly different cash flow amounts due to different timing and/or risk, but not have different present values. Thus, in practice, virtually all non-monetary exchanges would result in being classified as "without commercial substance" as defined by this exposure draft.

We also believe that the proposed changes to Opinion 29 would serve to encourage, rather than discourage, inappropriate gain recognition. It is our position that the gain calculation would be overly subjective and difficult to audit in that it would involve an auditor’s implicit reliance on the presumed future cash flows of the asset given up in the exchange as compared to the less subjective estimated future cash flows of the asset received.
We would like to also highlight our concern that recognition of a gain, as the result of a nonmonetary transaction would be improper because the earnings process would be incomplete. Thus, it is the consensus of our committee not to permit gain recognition on nonmonetary exchanges in the absence of the culmination of the earnings process.

Issue 1(a): No comment as our position is to not implement the proposed guidance under this exposure draft.

Issue 1(b): No comment as our position is to not implement the proposed guidance under this exposure draft.

Issue 1(c): No comment as our position is to not implement the proposed guidance under this exposure draft.

Issue 2: No comment as our position is to not implement the proposed guidance under this exposure draft.

Issue 3: We agree that nonmonetary exchanges of real estate should continue to be accounted for under APB Opinion No. 29. Therefore, we have no recommendations for amending FASB Statement No. 66.

Issue 4: We agree that exchanges of equity method investments for similar productive assets should be accounted for within the scope of FASB Statement No. 140.

A further concern that became prevalent during our committee's review is the fact that the discussion contained in this exposure draft was not specific enough in its attempt to support how U.S. generally accepted accounting principles are enhanced by the decision to converge on this subject with the International Accounting Standards Board. Accordingly, we recommend that the explanation accompanying all exposure drafts arising from the convergence to International Accounting Standards address the specific reasons why convergence to the international standard on each proposed change would enhance U.S. generally accepted accounting principles.

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,

Larry Sophian, Chair
Accounting Principles Committee
APPENDIX A

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:

Public Accounting Firms:

Large (National Firms):
- Jacquelyn K. Daylor, CPA
- James L. Fuhrmeyer, Jr., CPA
- Brian L. Heckler, CPA
- Alvin W. Herbert, Jr., CPA
- Steven C. Johnson, CPA
- Lisa M. Koblinski, CPA
- Richard H. Moseley, CPA
- J. Christopher Rabin, CPA
- Mark K. Scoles, CPA
- John M. Stomper, CPA
- Joan Waggoner, CPA
- KPMG LLP
- Deloitte & Touche LLP
- KPMG LLP
- Clifton Gunderson LLP
- McGladrey & Pullen, LLP
- Ernst & Young LLP
- Altschuler, Melvoin & Glasser LLP
- Kupferberg, Goldberg & Neimark, LLC
- Ostrow, Reisin, Berk & Abrams, Ltd.
- Blackman Kallick Bartelstein LLP

Medium (more than 40 employees):
- Marvin A. Gordon, CPA
- Kirsten M. Lescher, CPA
- Daniel J. McMahon, CPA
- Laurence A. Sophian, CPA

Small (less than 40 employees):
- Walter J. Jagiello, CPA
- Kathleen A. Musial, CPA
- Roger L. Reitz, CPA
- John A. Rossi, CPA

Industry:
- Peter J. Benson, CPA
- Melinda S. Henbest, CPA
- James B. Lindsey, CPA
- John H. Wolter, CPA

Educators:
- Leonard C. Soffer, CPA
- Charles A. Werner, CPA

Staff Representative:
- C. Patricia Mellican, CPA

McDonald's Corporation
The Boeing Co.
TTX Company
Retired/Natural Gas Pipeline Company of America

University of Illinois at Chicago
Loyola University
Illinois CPA Society