The Accounting Principles Committee of the Illinois CPA Society (Committee) appreciates the opportunity to provide its perspective on *FASB Proposed Accounting Standards Update—Definition of a Public Entity—An Amendment to the Master Glossary*. The proposed amendment would amend the Master Glossary of the FASB Accounting Standards Codification to include one definition of a public business entity for use in U.S. GAAP. 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.

1. **Please describe the entity or individual responding to this request.**

   The organization and operating procedures of the Committee are outlined in Appendix A to this letter. However, the majority of individuals on our Committee work for large, medium and small public accounting firms. Those individuals are mostly engaged in the area of auditing. Other individuals on our Committee are investors, accountants in industry, or in academia.

2. **Do you agree with the definition of a public business entity included in the proposed Update? Please explain why.**

   Yes. As written, the definition will continue to protect investors in the U.S. public capital markets by requiring that all entities accessing such markets through the issuance of publicly traded securities provide U.S. GAAP financial statements.

3. **Do you agree that a business entity that has securities that are unrestricted and that is required to provide U.S. GAAP financial statements to be made publicly available on a periodic basis pursuant to a legal or regulatory requirement should be considered a public business entity? Please explain why.**

   Yes. We believe a business entity that has issued unrestricted securities and is providing U.S. GAAP financial statements due to legal or regulatory requirements needs to be considered a public business entity. The two most critical components to our Committee in analyzing this requirement is (1) the business entity has issued unrestricted securities and (2) the U.S. GAAP financial statements are made publicly available. The availability and access to the information is comparable to publicly traded companies who file financial information with the U.S. Securities and Exchange Commission, which is accessed by users.

   We believe certain entities would qualify for this criterion; however, we believe the Board should issue additional guidance as it is not entirely clear. For example, certain state insurance departments require certain insurance regulated entities to file GAAP financial statements as part of their annual...
reporting requirements. While those entities would meet criteria number five, it may pose a competitive disadvantage to those entities furnishing the U.S. GAAP financial statements when not all regulated insurance entities need to do this. Additionally, comparability is reduced by not including all regulated insurance entities. We believe the Board should undertake a second phase to this project relating to the definition and scope of a public business entity.

In addition to what is discussed in paragraph BC18 of this proposed Update, do you think further clarification is needed to determine what an unrestricted security is?

We believe the criteria presented in BC 18 relating to an unrestricted security is properly described and no further clarification is needed relating to what is an unrestricted security. However, we do believe further clarification is needed relating to the five criteria under the Main Provisions of this Proposed ASU. For example, criteria three appears redundant to criteria one. Criteria one reflects all filings with the U.S. Securities and Exchange Commission. Criteria three is not entirely clear what market this would occur in, they appear to be related to insurance separate accounts or trusts. We ask the Board to provide examples for criteria three and five, to ensure confusion is minimized and the definition of a public business entity is appropriately followed in practice.

Can you identify a situation in which an entity would meet this criterion but would not meet any of the other criteria identified in the definition of a public business entity?

We have not identified a specific situation.

4. Do you agree that no public or nonpublic distinction should be made between NFPs for financial reporting purposes? Instead, the Board would consider whether all, none, or only some NFPs should be permitted to apply accounting and reporting alternatives within U.S. GAAP. Please explain why.

Yes, the Committee does not believe that a distinction should be made between public or nonpublic not-for-profit (NFP) entities for financial reporting purposes. As noted in the Exposure Draft, most NFPs already receive the same accounting and reporting alternatives within U.S. GAAP as nonpublic business enterprises. For the small number of NFPs which have public securities and conduit debt, permitting those entities to report under separate and distinct NFP reporting guidance instead of requiring the same level of reporting disclosure as a public entity, as defined in this Exposure Draft, will lessen the reporting burden on these NFP entities and provide for more consistency for the users of NFP financial statements. We agree with the Board’s conclusion that the needs of the primary users of NFP financial statements, including donors and regulators, are unique in comparison to the users of other public and private companies, and that having specific reporting guidance tailored to the needs of these unique users is most appropriate.

We reserve comment on the Board’s determination as to which NFP entities, if any, would be permitted to apply the private company reporting guidance until the Board issues that guidance.

5. Should the Board consider whether to undertake a second phase of the project at a later stage to examine whether to amend existing U.S. GAAP with a new definition resulting from this proposed Update? In the second phase of the project, the Board would consider whether (a) preserve the original scope of guidance in Accounting Standards Codification or (b) change the scope of guidance in the Accounting Standards Codification to align with the new definition. Please explain why.
Yes. The board should consider a second stage where the committee would suggest option (b) to change the scope of guidance in the Accounting Standards Codification to align with the new definition. This would allow for increased consistency in the use of U.S. GAAP and should reduce the existing complexity of having multiple definitions in the Accounting Standards Codification.

We appreciate the opportunity to offer our comments.

Sincerely,

Scott G. Lehman, CPA
Chair, Accounting Principles Committee

Amanda M. Rzepka, CPA
Vice-chair, Accounting Principles Committee
APPENDIX A

ACCOUNTING PRINCIPLES COMMITTEE
ORGANIZATION AND OPERATING PROCEDURES
2013-2014

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:

Public Accounting Firms:

Large: (national & regional)
- Ryan Brady, CPA  Grant Thornton LLP
- Todd Briggs, CPA  McGladrey LLP
- Brian Chmiel, CPA  Crowe Horwath LLP
- Frank Dery, CPA  PricewaterhouseCoopers LLP
- John Hepp, CPA  Grant Thornton LLP
- David Jamilowski, CPA  Baker Tilly Virchow Krause, LLP
- Scott Lehman, CPA (Chair)  Crowe Horwath LLP
- Elizabeth Prossnitz, CPA  BDO USA LLP
- Robert Sledge, CPA  KPMG LLP

Medium: (more than 40 professionals)
- Timothy Bellazzini, CPA  Sikich LLP
- Christopher Cameron, CPA  Kutchins Robbins & Diamond Ltd
- Michael Kidd, CPA  Mowery & Schoenfeld LLC
- Gary Mills, CPA  Frost, Ruttenberg & Rothblatt PC
- Ted Render, CPA  Miller Cooper & Company Ltd
- Steven Roiland, CPA  Kessler Orlean Silver & Co., PC
- Jeffery Watson, CPA  Miller Cooper & Company Ltd

Small: (less than 40 professionals)
- Peggy Brady, CPA  Selden Fox, Ltd.
- Brian Kot, CPA  Cray Kaiser Ltd CPAs

Industry:
- Rose Cammarata, CPA  CME Group Inc.
- Farah Hollenbeck, CPA  Abbott Laboratories
- Joshua Lance, CPA  N Pritzker Capital Management LLC
- Marianne Lorenz, CPA  AGL Resources Inc.
- Michael Maffei, CPA  GATX Corporation
- Anthony Peters, CPA  McDonald’s Corporation
- Amanda Rzepka, CPA (Vice Chair)  Jet Support Services, Inc.
- Richard Taranchak, CPA  Navistar International Corporation

Educators:
- Martin Coe, CPA  Western Illinois University
- James Fuehrmeyer, Jr., CPA  University of Notre Dame

Staff Representative:
- Gayle Floresca, CPA  Illinois CPA Society