August 29, 2019

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

File Reference No. 2019-740

The Accounting Principles Committee of the Illinois CPA Society ("Committee") appreciates the opportunity to provide its perspective on the Financial Accounting Standards Board’s ("FASB" or the "Board") Proposed Accounting Standards Update ("ASU"), Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815), Clarifying the Interactions between Topic 321, Topic 323, and Topic 815, a consensus of the Emerging Issues Task Force (the "Update"). 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.

We agree with the proposed amendments. However, we recommend that the Board add a project to its agenda to address the accounting in Accounting Standards Codification ("ASC") 323-10-35-23 through 323-10-35-26 for other investments in an investee when the investor’s common stock investment has been reduced to zero through the recognition of the investor’s proportionate share of investee losses. Subsequent to the development of that guidance, the Board has decided that equity securities, other than those qualifying for the use of the equity method or that result in a controlling financial interest in the investee, should be recognized at fair value with changes in fair value recognized in earnings. Further, the Board has decided that an investor should recognize losses expected over the lifetimes of loans and most debt securities. Because of those changes, it is less likely that a reporting entity with other investments in an equity method investee would be deferring losses on its investments that it would otherwise not recognize but for the requirement to record the investor’s proportionate share of investee losses as a reduction in the carrying amount of those other investments prior to applying the sections of the Codification that apply to those other investments. We believe the current approach is complicated and, given the changes referred to above, may no longer be necessary. We believe it would be preferable to eliminate the complexity of the current approach to accounting for other investments in an equity investee, particularly if the reporting entity has not elected the practical expedient to recognizing changes in the fair value of equity securities.

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We appreciate the opportunity to provide our comments and observations on the proposed Update and would be pleased to discuss them with the Board members or the FASB staff at your convenience.
Sincerely,

Brian Kot, CPA  
Chair, Accounting Principles Committee

William Keirse, CPA  
Vice Chair, Accounting Principles Committee
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)
- Jared Bourgeois, CPA
- Ryan Brady, CPA
- Ashley Carboni, CPA
- Michael Couillard, CPA
- Matthew Denton, CPA
- Jason Eaves, CPA
- William Keirse, CPA (Vice Chair)
- Scott Lehman, CPA
- Melissa Lynch, CPA
- Reid Mitchell, CPA
- Jason Plourde, CPA
- Elizabeth Prossnitz, CPA
- Darshana Raigaga, CPA
- Christopher Shue, CPA

- PricewaterhouseCoopers LLP
- Grant Thornton LLP
- KPMG LLP
- Baker Tilly Virchow Krause LLP
- Sikich LLP
- Crowe LLP
- Ernst & Young LLP
- Crowe LLP
- Plante Moran, PLLC
- Wipfli LLP
- Grant Thornton LLP
- BDO USA LLP
- BDO USA LLP
- Capin Crouse LLP

**Medium:** (more than 40 professionals)
- Almira Goethe, CPA
- Danielle Martin, CPA
- Jeffery Watson, CPA

- CDH, PC
- Porte Brown LLC
- Miller Cooper & Company Ltd

**Small:** (less than 40 professionals)
- Peggy Brady, CPA
- Brian Kot, CPA (Chair)

- Selden Fox, Ltd.
- Cray Kaiser Ltd CPAs

**Educators:**
- Mollie Adams, CPA
- John Hepp, CPA

- Bradley University
- University of Illinois at Urbana-Champaign

**Industry:**
- Jeffrey Ellis, CPA
- Michael Maffei, CPA
- Thomas Masterson, CPA
- Matthew Mitzen, CPA
- Lisa Sezonov, CPA
- Richard Tarapchak, CPA
- William Wang, CPA
- Daniel Wilfong, CPA

- FTI Consulting, Inc.
- GATX Corporation
- Medix
- CNA Financial Corp.
- Northern Trust
- Reynolds Group Holdings
- MAT Holdings, Inc.
- Sunset Transportation, Inc.

**Staff Representative:** Rafael Wiesenberg, CPA

Illinois CPA Society