



Letter of Comment No: 84
File Reference: 1125-001
Date Received: 12/19/02

December 19, 2002

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

Re: File No. 1125-001

Gentlemen:

The Accounting Principles Committee of the Illinois CPA Society appreciates the opportunity to provide our perspective on the proposal – Principles Based Accounting Approach to U.S. Standard Setting. The organization and operating procedures of the Committee are reflected in the attached Appendix A to this letter. Our 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.

We will respond to each issue raised by the Board for comment as follows:

1. Yes, the Committee does agree with the Board's overall proposal for a principles-based approach to U.S. standard setting. The goal of this approach should be to improve the quality and transparency of U.S. financial accounting and reporting with a clear and understandable set of principles that is definitive, yet far reaching in its application.
2. The Committee discussed both Concepts and the reporting framework for applying them. We see Concepts remaining as the primary focus to determine accounting treatment, and reporting framework as secondary. Regarding the subject of a true and fair view override, the Committee was unanimous in its opposition to this aspect of the proposal. Some believe a true and fair view override runs counter to a principle based approach and would only serve to weaken the overall framework. It was stated within the document that more volatility should be expected to result from the principles based approach, while a true and fair view approach seems like the first smoothing effect.
3. The Financial Accounting Standards Board (FASB) should be responsible for any and all interpretation and implementation guidance under a principles-based approach. However, as stated in the proposal, the need for this should be at a minimum. The principles based approach is intended to cast a wide net, reducing the need for interpretations and guidance.

Alternatively, if the FASB were not to be the primary standard setter responsible for providing guidance, then whatever body is chosen must be recognized as **the** authority and supported fully.

4. If the principles based approach is adopted, all preparers, auditors, the SEC, investors, creditors, and other users of the financial information will have to adjust. In particular, the SEC and government regulators will have to buy in on the concept and support it.
5. The Committee considered the cost/benefit issue a nonissue. With the ultimate goal of improving the quality and transparency of U.S. financial accounting and reporting, while at the same time achieving convergence with international accounting standards, the benefits should far outweigh costs of adopting this approach.
6. Other factors the Committee considered important were the issues of a good agenda with a realistic timetable. Set goals and stick to them, anticipate opposition and plan for it, don't allow the process to be slowed by those with alternative views or self-interests.

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,



Laurence A Sophian, CPA
Chair, Accounting Principles Committee

ILLINOIS CPA SOCIETY
ACCOUNTING PRINCIPLES COMMITTEE
ORGANIZATION AND OPERATING PROCEDURES

2002 - 2003

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	KPMG LLP
James L. Fuehrmeyer, Jr., CPA	Deloitte & Touche LLP
Brian L. Heckler, CPA	KPMG LLP
Alvin W. Herbert, Jr., CPA	Clifton Gunderson LLP
Steven C. Johnson, CPA	McGladrey & Pullen, LLP
Lisa M. Koblinski, CPA	Ernst & Young LLP
Richard H. Moseley, CPA	Altschuler, Melvoin & Glasser LLP
Brian D. Nauman, CPA	Ernst & Young, LLP
J. Christopher Rabin, CPA	Altschuler, Melvoin & Glasser LLP
Mark K. Scoles, CPA	Grant Thornton LLP
John M. Stomper, CPA	Deloitte & Touche LLP
Steven P. Strammello, CPA	Crowe Chizek & Co. LLP

Medium (more than 40 employees):

Marvin A. Gordon, CPA	Baygood, Telpner & Rose Chartered
Kirsten M. Lescher, CPA	Gleeson, Sklar, Sawyers & Cumpata LLP
Laurence A. Sophian, CPA	Ostrow, Reisin, Berk & Abrams, Ltd.

Small (less than 40 employees)

Walter J. Jagiello, CPA	Walter J. Jagiello, CPA
Kathleen A. Musial, CPA	Benham, Ichen & Knox LLP
Roger L. Reitz, CPA	Cray, Kaiser Ltd., CPAs
John A. Rossi, CPA	William F. Gurrie & Co.

Industry:

Peter J. Bensen, CPA	McDonald's Corporation
James C. Horton, Jr., CPA	Lohan Associates, Inc.
James B. Lindsey, CPA	TTX Company
John H. Wolter, CPA	Retired/Natural Gas Pipeline Company of America

Educators:

Leonard C. Soffer, CPA	University of Illinois at Chicago
Charles A. Werner, CPA	Loyola University

Staff Representative:

C. Patricia Mellican, CPA	Illinois CPA Society
---------------------------	----------------------