

Letter of Comment No: 2 File Reference: 1050-001 Date Received: 3/20/02

March 20, 2002

Mr. Timothy S. Lucas
Director of Research and Technical Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Dear Mr. Lucas:

The Accounting Principles Committee of the Illinois CPA Society (Committee) appreciates the opportunity to provide our perspective on the Proposal for a New Agenda Project-Issues Related to the Recognition of Revenues and Liabilities. 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:

Question 1: We believe there is a need to comprehensively address issues associated with the recognition of revenues and liabilities. The FASB is clearly the appropriate entity to take on this effort. We question, however, the ability of the FASB to address issues related to "credits" without simultaneously addressing the related "debits".

Question 2: We believe the scope of the project is appropriate, with some of the groundwork already in place in the form of existing literature. The Committee also is cognizant of the many political challenges and other potential constraints of the proposed project however, we believe these hurdles are manageable.

Question 3: In our view, none of the issues listed in the appendix should be excluded from the scope of the project.

Question 4: We believe that the issue of verifiability should be addressed in addition to those issues listed, particularly if the definition of liabilities moves to a "fair value" or "probable cash flow" method. In light of the significant increase in audit failures in recent years, it is critical that the profession adheres to this underlying concept.

Question 5, We believe it is time to consider elevating "Concepts Statements" to Level A GAAP. That is, the FASB should consider a broad standard to serve as a basis for specific interpretations or EITF announcements that is, itself, the highest level of GAAP.

Finally, we would stress that any new literature should be written in simple understandable English with the goal of eliminating confusion. This would be a welcome change from recent patterns.

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,

Steve Johnson, Chair

Accounting Principles Committee

ILLINOIS CPA SOCIETY ACCOUNTING PRINCIPLES COMMITTEE ORGANIZATION AND OPERATING PROCEDURES 2001 - 2002

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 husiness 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. Taylor, CPA

James L. Fuehrmeyer, Jr., CPA Alvin W. Herbert, Jr., CPA

Steven C. Johnson, CPA

Lisa M. Koblinski, CPA Elizabeth K. Lawson, CPA

Richard H. Moscley, CPA

Brian D. Nauman, CPA

J. Christopher Rabin, CPA Mark K. Scoles, CPA

Steven P. Strammello, CPA John M. Stomper, CPA

Medium (more than 40 employees):

Marvin A. Gordon, CPA Kirsten M. Lescher, CPA Laurence A. Sophian, CPA

Small (less than 40 employees)

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Deloitte & Touche LLP

Rootberg Business Services, Inc. Gleeson, Sklar, Sawyers & Cumpata LLP Ostrow, Reisin, Berk & Abrams, Ltd.

Walter J. Jagiello, CPA Benham, Ichen & Knox LLP Cray, Kaiser Ltd., CPAs

The Liberty Hampshire Co., LLC McDonald's Corporation Baker & McKenzie

TTX Company

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