ILLINOIS CPA SOCIETY

October 29, 2009

Mr. Russell Golden
Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116

File Reference No. EITF0902

Dear Mr. Golden:

The Accounting Principles Committee of the Illinois CPA Society (Committee) appreciates the opportunity to provide our perspective on the proposed Accounting Standards Update of Research and Development (Topic 730), "Research and Development Assets Acquired and Contingent Consideration Issued in an Asset Acquisition (A Consensus of the FASB Emerging Issues Task Force)." 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 view of the members or the organizations with which they are affiliated. The organization and operating procedures of our Committee are outlined in Appendix A to this letter.

General Comments

We do not believe the proposed Accounting Standards Update would significantly improve financial reporting because it would perpetuate the inconsistencies it is seeking to eliminate. While the form of a transaction in which an entity acquires research and development assets will no longer cause a different accounting treatment, the initial measurement for these assets will continue to be different. This amendment would only partially align the accounting for acquired research and development assets in an asset acquisition with the accounting for such assets in a business combination by requiring capitalization under both scenarios. However differences would still remain due to the differing accounting recognition for such assets under an asset acquisition when compared to a business combination. Therefore, we believe accounting complexity is increased by these amendments and we do not support their issuance.

Responses to Questions

Question 1: Do you agree that the cost of acquired tangible and intangible research and development assets acquired in an asset acquisition should be capitalized, regardless of whether they have a future alternative use? Why or why not?

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We do not believe that the FASB should amend existing accounting standards at this time to address the inconsistency of the accounting treatment between acquired research and development assets and those acquired in a business combination without also eliminating the inconsistencies in the initial measurement of those assets as well as with the accounting for internal research and development costs. While we generally support the idea of asset capitalization, we also believe that there will still be inconsistencies in the initial measurement of capitalized research and development assets. In an asset acquisition, assets would be measured at allocated cost but in a business combination, such assets would be measured at fair value. Furthermore, there are also inconsistencies between the accounting for in-process research and development assets acquired externally with the internal costs needed to complete the projects. The former costs would be capitalized under this amendment, while the latter internal costs would be expensed. These inconsistencies only add to the complexity and confusion these changes are seeking to avoid.

Question 2: Do you agree that contingent payment arrangements in an asset acquisition should not be recognized at fair value unless those arrangements are derivatives?

We believe that different treatment creates exceptions to accounting principles that could lead to further complexity.

Question 3: This proposed Update does not provide guidance for determining whether a contingent payment relates to futures services or consideration for the asset acquired. Paragraph 805-10-55-25 provides guidance for determining whether payments made to the seller in a business combination after the acquisition date relate to the acquisition of the business or the performance of future services by the seller. Do you believe that additional guidance is necessary for assisting in making this determination in an asset acquisition? If you believe additional guidance is necessary, please provide any factors that you believe should be considered in making this determination.

We do not believe additional guidance is necessary.

We appreciate the opportunity to offer our comments.

Sincerely,

Reva Steinberg, CPA
Chair, Accounting Principles Committee

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APPENDIX A
ILLINOIS CPA SOCIETY
ACCOUNTING PRINCIPLES COMMITTEE
ORGANIZATION AND OPERATING PROCEDURES
2009-2010

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 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 & regional)	
John A. Hepp, CPA	Grant Thornton LLP
Alvin W. Herbert, Jr., CPA	Retired/Clifton Gunderson LLP
Matthew G. Mitzen, CPA	Blackman Kallick LLP
Reva B. Steinberg, CPA	BDO Seidman LLP
Jeffery P. Watson, CPA	Blackman Kallick LLP
Medium: (more than 40 employees)	
Barbara Dennison, CPA	Selden Fox, Ltd.
Marvin A. Gordon, CPA	Frost, Ruttenberg & Rothblatt, P.C.
Ronald R. Knakmuhs, CPA	Miller, Cooper & Co. Ltd.
Gary W. Mills, CPA	Frost, Ruttenberg & Rothblatt, P.C.
Kathleen A. Musial, CPA	BIK & Co, LLP
Industry:	
John M. Becerril, CPA	Cabot Microelectronics
James B. Lindsey, CPA	TTX Company
Michael J. Maffei, CPA	GATX Corp.
Laura T. Naddy, CPA	Gaming Capital Group LLC
Anthony Peters, CPA	McDonald's Corporation
Educators:	
James L. Fuehrmeyer, Jr. CPA	University of Notre Dame
David L. Senteney, CPA	Ohio University
Leonard C. Soffer, CPA	University of Chicago
Staff Representative:	
Paul E. Pierson, CPA	Illinois CPA Society