



August 28, 2013

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

File Reference No. 2013-230

The Accounting Principles Committee of the Illinois CPA Society (Committee) appreciates the opportunity to provide its perspective on the Proposed Accounting Standards Update “Presentation of Financial Statements – Reporting Discontinued Operations (Topic 205).” 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.

Our Committee supports the Board’s efforts to change the requirements for reporting discontinued operations and to reduce the number of disposals of assets that qualify for this reporting. We agree that only disposals of significant parts of an entity that represent strategic shifts in operations should be reported as discontinued operations. These components are the units that management uses to operate and report on their entities. We believe this will increase the usefulness of financial statements for decision making purposes and reduce the costs for preparers. We agree that the change in the requirements for discontinued operations would move US GAAP closer to IFRS, and we support this convergence. We have a number of concerns that we recommend the Board address before the Update is finalized that are discussed below.

The Board states that the goal of the Update is to reduce the number of disposals of assets that are reported as discontinued operations, increase the decision usefulness of financial statements, and reduce costs for preparers. Although the Board would not require individually material components of an entity that are disposed of to be reported in discontinued operations, entities would be required to provide significant disclosure in the footnotes for these material components. We agree with the Board that these individually material components of the business are not significant. Consequently, we believe that supplemental footnote disclosure of these components should not be required.

We do not agree with the scope of the Update to include equity method investments. Current equity method accounting isolates the results of these investments. Consequently, when the operations of such investments are discontinued, financial information regarding the performance of the investee is readily available. We believe that required additional information for equity method does not meet the Board’s goal of reducing complexity while providing users with information they need regarding discontinued operations.

**Question 1:** Do you agree with the proposed definition of discontinued operations?

Yes, we agree with the proposed definition of discontinued operations. We believe the definition is consistent with the the unit entities use to test goodwill for impairment. The definition is strengthened by the fact that entity management would be allowed to use judgment in applying the concept of *significant* parts of an entity that represent *strategic shifts* in operations.

**Question 2:** Do you agree that the continuing involvement criterion in the existing definition should be eliminated? Why or why not?

Yes. We believe that entities that have discontinued operations have been prohibited from reporting them as such because of the current standard's continuing involvement prohibition. Many entities have some form of continuing transactions with operations that have been disposed. The elimination of the continuing involvement contribution would reduce the complexity of identifying and reporting discontinued operations.

**Question 3:** Do you agree with the scope of the amendments in this proposed Update? Do you agree that disposals of equity method investments and oil and gas properties that are accounted for using the full-cost method of accounting should be eligible for discontinued operations presentation if they meet the criteria to be reported in discontinued operations?

We do not agree with the scope of the amendments in this proposed Update. We believe that users have adequate information on disposed equity method investments. ASC 323-10 requires that entities report equity method investees separate from the regular operations of the company. Reporting equity method investees as discontinued operations provides information that is already available to users, and consequently is unnecessary. Our Committee does not have oil and gas properties experience and consequently is unable to respond to the question regarding these properties.

**Question 4:** U.S. GAAP and the amendments in this proposed Update do not specify whether an entity should reclassify the assets and liabilities of a discontinued operation classified as held for sale in the statement of financial position for periods before reclassification. Should an entity be required to reclassify the assets and liabilities of a discontinued operation classified as held for sale in the statement of financial position for periods before reclassification? Why or why not?

We believe that the reclassification of assets and liabilities of a discontinued operation for periods before reclassification is unnecessary. We recommend that entities have the option, but should not be required to reclassify the assets and liabilities of a discontinued operation in the periods before reclassification. We do not see a benefit in requiring time-intensive preparation of held for sale assets and liabilities in prior periods when these assets and liabilities will be going away.

**Question 5:** Do you agree with the disclosures required for disposals of individually material components of an entity? If not, which disclosure or disclosures would you eliminate or add and why?

We believe that incremental disclosures should be required only for disposals of significant portions of a business. If an entity disposes of a business that does not qualify as a discontinued operation, then we believe that additional information regarding that business is unnecessary. We support the Board's goal of reducing the information reported by entities with discontinued operations. Consequently, we believe this disclosure is unnecessary.

**Question 6:** Do you agree that businesses held for sale on acquisition should be excluded from certain disclosure requirements? Why or why not?

We agree that business held for sale should be excluded from certain disclosure requirements. Since entities have recently acquired the business, information regarding the held for sale portion of the business provides incremental information that is irrelevant to the operations of the business.

**Question 7:** Do you agree with the prospective application transition method? Why or why not?

We agree with the prospective application transition method. The cost of recasting information for previous periods that is not relevant to current operations does not provide benefit to financial statement users. The user does not need historical information on disposal groups that are not a part of the entity's ongoing operations.

**Question 8:** How much time do you think will be needed to prepare for and implement the amendments in this proposed Update?

We believe that implementation time will be limited if prospective application is adopted. As the Board notes, the information that would be required by the proposed update represents a reduction in reporting requirements.

**Question 9:** Do the modified disclosures for nonpublic entities provide the right level of disclosure? If not, how should the proposed Update be modified for nonpublic entities?

We believe that the modified disclosures for nonpublic entities provide the right level of disclosure. As noted above, we also believe that this is the appropriate level of disclosure for public companies.

We appreciate the opportunity to offer our comments.

Sincerely,

**Scott G. Lehman, CPA**  
Chair, Accounting Principles Committee

**Amanda 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 Jamiolkowski, 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 Rittenberg & Rothblatt PC
Tad 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 Tarapchack, 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
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