



August 24, 2009

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

File Reference No. 1700-100

Dear Mr. Golden:

The Accounting Principles Committee of the Illinois CPA Society (Committee) appreciates the opportunity to provide our perspective on the proposed Statement of Financial Accounting Standards “Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses.” 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 agree with the Financial Accounting Standard Board’s objective to improve the transparency of disclosures about the allowance for credit losses and the credit quality of financing receivables. While we support the efforts of the Board, we question whether all of the required disclosures required in this proposed statement are necessary to meet the Board’s objectives. We believe the disclosures could provide more information to investors and users of the financial statements than management might use in analyzing and assessing the allowance for credit losses. We are also concerned about the volume of information that these disclosures require. The proposed statement acknowledges that excess detail can overburden financial statements. However, Appendix A provides several pages of disclosures in great detail while indicating these are simplified examples. Also, there appears to be a creeping escalation in interim reports. We believe that interim financial reports should be read in conjunction with the annual reports and that interim disclosures should be limited to significant changes since year-end. Too much information can overwhelm both the preparer and the user of the financial statements. We also believe the effective date is too soon. SFAS 166 and SFAS 167 will be implemented in the first quarter of 2010. We are concerned that entities will not have enough time to implement the disclosure requirements of those statements in addition to these proposed disclosures.



Responses to Questions

Issue 1: This proposed Statement defines a financing receivable as both loans as defined by FASB Statement No. 114, Accounting by Creditors for Impairment of a Loan, and lessors' investment in leases other than operating leases that have been recorded as assets in accordance with FASB Statement No. 13, Accounting for Leases. Do you agree with the definition used to identify a financing receivable subject to the provisions of this proposed Statement? If not, why not?

We disagree that leases should be included in the scope of this statement. Leases have historically been excluded from the scope of disclosures for receivables. First, the Board currently has a project in place that will presumably address disclosures. Second, the proposed amendment to the codification includes only a passing reference to Section 840 (Leases) in the glossary section and does not revise the scope of the Receivables section 310. This would make it nearly impossible for a user to recognize that these disclosures apply to “other than operating leases.” We believe that revising the guidance in this way undermines the purpose and structure of the Codification. If leases are to be included, the amendments should be made to the lease disclosures, not by including leases in the scope of this statement.

The proposed statement excludes unconditional promises to give that are assets of not for profit entities that are due in one year or less. We believe the proposed statement should go a step further and exclude all unconditional promises to give, regardless of the terms of payment. Promises to give are voluntary non-reciprocal transfers established by the donor. They do not have the same characteristics as the other exchange transactions in the scope of this statement. We also do not believe that not for profit entities act as creditors in these situations. They do not make financing decisions and do not set the terms and conditions of promises to give. They do not manage a portfolio of receivables the way a for-profit entity does. Accordingly, we believe that unconditional promises to give should be excluded in their entirety from the scope of this proposed statement.

Issue 2: This proposed Statement would apply to all creditors, including all public and nonpublic entities that prepare financial statements in accordance with generally accepted accounting principles. Do you agree with the scope of this proposed Statement? If not, why not?

We do not believe that nonpublic entities should be included in the scope of the proposed statement in its entirety for two reasons. First, this proposed statement requires interim disclosures for financing receivables and the allowance for credit losses. Nonpublic entities were exempted from interim disclosures by FSP FAS 107-1. It does not make sense for nonpublic entities to make interim disclosures about financing receivables and the allowance for credit losses in the absence of other disclosures. Secondly, the proposed statement requires disclosure of the fair value of loans. If the Board requires that nonpublic companies be included in the scope of this statement, we suggest those entities be included as in SFAS 126.



Also, nonpublic companies should not be required to provide this level of disclosure detail, if not already available, on a recurring basis. Investors in public entities evaluate buy/sell decisions on a regular basis. Investors in nonpublic entities do not have the same needs. The users of nonpublic company financial statements include boards of directors who have access to the information they need or can request different information in order to make business decisions. Regulators of nonpublic companies have already prescribed the information they need, for example, in quarterly call reports. The information there is not necessarily aggregated in accordance with the proposed statement. Lenders, such as Federal Home Loan Banks, have prescribed the type of financing receivables that qualify as collateral and require the collateral to meet certain credit quality standards. We recommend that lenders be consulted before requiring entities to provide information on a more regular basis than is already being required. Other lenders to nonpublic entities either have access to the information they need, or have the capacity to request any information, in any format, for any time period they desire. We suggest that the disclosure requirements for nonpublic entities be substantially reduced, if not eliminated.

Issue 3: This proposed Statement would require a roll-forward schedule of the total allowance for credit losses in both interim and annual reporting periods by portfolio segment and in the aggregate. In addition, it also would require a roll-forward schedule of financing receivables in both interim and annual reporting periods by portfolio segment and in the aggregate. Do you believe those disclosures will assist financial statement users in better understanding the financial information for the total allowance for credit losses as well as the associated financing receivables? If not, why not?

We agree that the roll-forward of the allowance for credit losses by portfolio segment and in the aggregate could provide useful information. However, all entities do not track this information by impairment methodology as required by paragraphs 5 a & b. For that reason, we disagree with the Board's conclusions that requiring these disclosures will not impose significant costs on many of the entities subject to this proposed statement. We also question the benefit in further disaggregating the information by impairment methodology.

We do not believe that a roll-forward of financing receivables provides useful information about the credit quality of those receivables and the related allowance for credit losses. We are not aware that management uses a roll-forward of receivables in assessing the allowance for credit losses. We believe that disclosure should be based on the information provided internally to management personnel to assess the credit quality of financing receivables and the allowance for credit losses. All entities do not track the roll-forward of financing receivables by impairment methodology as required by paragraphs 5 a & b. For that reason, we disagree with the Board's conclusions that requiring these disclosures will not impose significant costs on many of the entities subject to this proposed statement. We also question the benefit in further disaggregating the information by impairment methodology.



Issue 4: This proposed Statement would require interim and annual credit quality disclosures about a portfolio by class of financing receivable, including quantitative and qualitative information about the credit quality of financing receivables. Do you believe those disclosures will assist financial statement users to better understand the credit quality for the associated financing receivables? If not, why not?

We believe the distinction between the portfolio segment and the class of financing receivables is unclear. Sample disclosures for paragraph 13 in Appendix A provided a greater level of detail at the class of financing receivable level than sample disclosures at the portfolio segment level. We do not think an entity should be required to provide information at a level of detail that is not used by management.

Providing credit quality disclosures by class of financing receivable could assist financial statement users, but this level of disaggregation will lead to a lack of comparability. Because each reporting entity can determine how to disaggregate its financing receivables, or use different credit quality indicators, there will be a lack of comparability from one entity to another.

Not all entities track this kind of information by class of financing receivable. We disagree with the Board's conclusions that requiring these disclosures will not impose significant costs on many of the entities subject to this proposed statement.

Issue 5: This proposed Statement would require an analysis of the age of financing receivables that are past due, but not impaired, at the end of the reporting period separately for each class of financial instruments. Do you believe those disclosures will assist financial statement users in better understanding the credit quality for the associated financing receivables? If not, why not?

We agree that an analysis of the aging of receivables that are past due, but not impaired will provide useful information.

Issue 6: This proposed Statement would require the fair value of loans at the end of the reporting period by portfolio segment. Do you believe those disclosures will assist financial statement users in better understanding the credit quality for the associated financing receivables? If not, why not?

We do not believe that the fair value of loans is relevant to credit quality. The fair value considers interest rate risk and liquidity risk in addition to credit risk. We are not aware that management uses the fair value of loans in assessing the allowance for credit losses. We believe that disclosure should be based on the information provided internally to management personnel to assess the credit quality of financing receivables and the allowance for credit losses.



Issue 7: Do you believe it is operational for entities to disclose all of the proposed requirements for interim and annual reporting periods? Why or why not?

We agree that existing practices enable many creditors to provide disaggregated information about the credit quality of their financing receivables and allowances for credit losses. However, not all entities aggregate data in accordance with the proposed statement. Many entities other than depository institutions do not have systems that capture this information.

Issue 8: The final Statement is expected to be issued in the third quarter of 2009. The Board concluded that this proposed Statement would be effective for financial statements beginning with the first interim or annual reporting period ending after December 15, 2009. Do you agree with the Board's decision on the effective date? If not, what would be a reasonable period of time to implement the provisions of this proposed Statement? If you do not agree, please provide a description of the process changes necessary to implement this proposed Statement that would require additional time.

We do not agree. Refer to our general comments above. Also, many entities need more time in order to provide systems that will aggregate data in accordance with the proposed statement.

We appreciate the opportunity to offer our comments.

Sincerely,

Reva Steinberg, CPA
Chair, Accounting Principles Committee



ILLINOIS CPA SOCIETY

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)

James J. Gerace, CPA	BDO Seidman LLP
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.
Kathleen A. Musial, CPA	BIK & Co, LLP

Industry:

John M. Becerril, CPA	Cabot Microelectronics
Melinda S. Henbest, CPA	The Boeing Co.
James B. Lindsey, CPA	TTX Company
Michael J. Maffei, CPA	GATX Corp.
Laura T. Naddy, CPA	Gaming Capital Group
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
----------------------	----------------------