December 2, 2016

Technical Director

Financial Accounting Standards Board

401 Merritt 7, P.O. Box 5116

Norwalk, CT 06856-5116

File Reference No. 2016-340

The Accounting Principles Committee of the Illinois CPA Society (“Committee”) appreciate the opportunity to provide their perspective on the Proposed Accounting Standards Update (“ASU”), *Receivables—Nonrefundable Fees and Other Costs: Premium Amortization on Purchased Callable Debt Securities* (Subtopic 310-20). 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.

We support the proposed ASU. We believe recognizing any premium on purchased callable debt securities over the period to the earliest call date provides a better reflection of the interest income the investor expects to realize over the term of the investment. However, we recommend that the Board clarify the proposed guidance in paragraph 33 of ASC 310-20-35 on the reporting entity’s accounting if the issuer of the security does not exercise its call option. We assume the Board intends the reporting entity to recognize interest income in subsequent periods at the contractual rate on the debt security rather than to apply the retrospective method in paragraph 26 of ASC 310-20-35. If our assumption is correct, we recommend revising the proposed wording in paragraph 33 of ASC 310-20-35 to make that clear. Further, we believe the FASB should clarify the accounting by a reporting entity that has a large number of similar callable debt securities but has elected not to estimate future prepayments when applying the interest method. Would those entities be required to apply the revised guidance in paragraph 26 of ASC 310-20-35? If so, and if the issuer of a callable security elected not to exercise its call option, would those reporting entities be required to apply the retrospective method in paragraph 26 of ASC 310-20-35?

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We appreciate the opportunity to provide our comments and observations on the proposed ASU and would be pleased to discuss them with the Board members or the FASB staff at your convenience.

Sincerely,

**Ryan Brady, CPA**  
Chair, Accounting Principles Committee

**Brian Kot, CPA**  
Vice Chair, Accounting Principles Committee

APPENDIX A

ACCOUNTING PRINCIPLES COMMITTEE

ORGANIZATION AND OPERATING PROCEDURES

2016-2017

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)

Jared Bourgeois, CPA PricewaterhouseCoopers LLP

Ryan Brady, CPA (Chair) Grant Thornton LLP

Rakesh Desai, CPA KPMG LLP

William Keirse, CPA Ernst & Young LLP

Scott Lehman, CPA Crowe Horwath LLP  
 Reid Mitchell, CPA Wipfli LLP  
 Elizabeth Prossnitz, CPA BDO USA LLP   
**Medium:** (more than 40 professionals)  
 Timothy Bellazzini, CPA Sikich LLP  
 Michael Kidd, CPA Mowery & Schoenfeld LLC  
 Matthew Mitzen, CPA Marcum LLP  
 Jeffery Watson, CPA Miller Cooper & Company Ltd  
**Small:** (less than 40 professionals)  
 Peggy Brady, CPA Selden Fox, Ltd.  
 Marvin Hoffman, CPA Bronswick, Reicin, Pollack, Ltd.   
 Brian Kot, CPA (Vice Chair) Cray Kaiser Ltd CPAs  
 Joshua Lance, CPA Joshua Lance CPA, LLC

**Educators:**

John Hepp, CPA University of Illinois at Urbana-Champaign

**Industry:**

Rose Cammarata, CPA Mattersight Corp.

Ashlee Earl, CPA Seaway Bank and Trust Company

Jeffrey Ellis, CPA FTI Consulting, Inc.

Christopher Hamm, CPA Artex Risk Solutions, Inc.

Marianne Lorenz, CPA AGL Resources Inc.  
Michael Maffei, CPA GATX Corporation  
Joshua Shenton, CPA Northern Trust Corp.   
Richard Tarapchak, CPA Reynolds Group Holdings

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Gayle Floresca, CPA Illinois CPA Society