

March 8, 2019

Technical Director

Financial Accounting Standards Board

401 Merritt 7, P.O. Box 5116

Norwalk, CT 06856-5116

File Reference No. 2019-100

The Accounting Principles Committee of the Illinois CPA Society (“Committee”) appreciates the opportunity to provide its perspective on the Proposed Accounting Standards Update (“ASU”), *Targeted Transition Relief for Topic 326, Financial Instruments – 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 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 amendments proposed by the Board to enhance comparability and reduce costs for entities adopting the guidance in ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. Our responses to the questions in the proposed ASU are included below.

\* \* \* \* \* \*

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,

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

**William Keirse, CPA**  
Vice Chair, Accounting Principles Committee

**Question 1:** *Do you agree with the amendments in this proposed Update to provide entities with an option to irrevocably elect the fair value option in Subtopic 825-10 for eligible instruments that are within the scope of Subtopic 326-20, except for held-to-maturity debt securities, upon adoption? If not, please explain your reasoning.*

**Response:** We agree with the amendments to provide entities with an option to irrevocably elect the fair value option in ASC 825-10 for eligible instruments within the scope of ASC 326-20. We are not aware of any reason that held-to-maturity debt securities should not also be eligible for this option, and therefore suggest that the Board consider expanding the scope of this option to include held-to-maturity debt securities.

We understand the Board’s concern for unintended consequences from broadening the scope of the proposed amendments beyond the instruments specifically identified by the stakeholders that brought this issue to the Board’s attention, but we believe that the extent of transition complexities and subsequent questions is limited by the fact that the proposed guidance is elective. Preparers that intend to elect the fair value option for debt securities that otherwise would be classified as held-to-maturity prospectively could benefit from the reduced cost and enhanced comparability afforded by the option to irrevocably elect to measure certain existing held-to-maturity debt securities at fair value.

If the Board intends to retain its position to exclude existing held-to-maturity debt securities from the fair value election option, the Board should more fully explain those transition complexities and subsequent questions noted in the Basis of Conclusions and how that outweighs the benefit of avoiding dual measurement methodologies for debt securities.

**Question 2:** *Do you agree with the proposed amendment that would require that the irrevocable election of the fair value option be applied on an instrument-by instrument basis? If not, please explain your reasoning and provide an alternative.*

**Response:** We agree with the proposed amendment that would permit the irrevocable election to be applied on an instrument-by-instrument basis. However, if a reporting entity elects to only reclassify some instruments from a single asset class, we think the reason for the selective reclassification should be disclosed. This may already be covered by disclosure guidance in 825-10-50-28.

**Question 3:** *For entities that have not adopted Topic 326, should the effective date and transition requirements of the proposed amendments align with the effective date and transition requirements of the amendments in Update 2016-13? If not, please explain your reasoning and provide an alternative.*

**Response:** We agree that entities that have not adopted ASC 326 should, for purposes of the proposed guidance, apply the same effective date and transition requirements of the amendments in ASU 2016-13.

**Question 4:** *For entities that have early adopted Topic 326, what should be the effective date and transition requirements for the proposed amendments?*

**Response:** As noted in our response to Question 3, we believe that the proposed amendments should be subject to the same effective date and transition guidance as prescribed in ASU 2016-13, including the option to adopt the guidance early. Therefore, we do not believe specific effective date guidance is needed for entities that have early adopted ASC 326. As for transition, we believe that entities that have early adopted ASC 326 should have the option to retrospectively apply the proposed amendments as of the date of initially applying the guidance in ASU 2016-13, or to apply the proposed amendments on a modified retrospective basis with an adjustment to the opening balance of retained earnings in the period of adoption.

**Question 5:**  *Would additional disclosures be needed for the proposed amendments, beyond the disclosure requirements in Topic 250, Accounting Changes and Error Corrections, and Subtopics 820-10 and 825-10?*

**Response:** We are not aware of any additional disclosures that would be needed beyond those in ASC 250, ASC 820, and ASC 825. As stated in response to Question 2 above, if reporting entities will be permitted to apply the fair value option on an instrument-by-instrument basis, and an entity elects to apply the fair value option to only some instruments held within a single asset class, we think the reason for the selective reclassification should be disclosed.

**Question 6:** *Do you support the Board’s decision not to provide entities with an option to discontinue fair value measurements for financial assets measured at fair value through net income and instead apply the measurement guidance in Subtopic 326-20? If not, please explain your reasoning about why the measurement guidance in Subtopic 326-20 is preferable for the types of financial assets for which an entity would elect to discontinue fair value measurements.*

**Response:** We support the Board’s decision not to provide entities with an option to discontinue fair value measurements for financial assets measured at fair value through net income. We think this decision is consistent with the principle that election of the fair value option is irrevocable.

APPENDIX A

ACCOUNTING PRINCIPLES COMMITTEE

ORGANIZATION AND OPERATING PROCEDURES

2018-2019

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 Grant Thornton LLP

Matthew Denton, CPA Sikich LLP

Ashlee Earl, CPA Ernst & Young LLP

Jason Eaves, CPA Crowe LLP

William Keirse, CPA (Vice Chair) Ernst & Young LLP

Scott Lehman, CPA Crowe LLP

Melissa Lynch, CPA Plante Moran, PLLC

Reid Mitchell, CPA Wipfli LLP

Elizabeth Prossnitz, CPA BDO USA LLP

Darshana Raigaga, CPA BDO USA LLP

**Medium:** (more than 40 professionals)  
Almira Goethe, CPA CDH, PC

Danielle Martin, CPA Porte Brown LLC  
 Iryna Prokhorov, CPA Mueller & Company, LLP   
 Jeffery Watson, CPA Miller Cooper & Company Ltd  
 **Small:** (less than 40 professionals)  
 Peggy Brady, CPA Selden Fox, Ltd.  
 Brian Kot, CPA (Chair) Cray Kaiser Ltd CPAs  
**Educators:**

John Hepp, CPA University of Illinois at Urbana-Champaign

**Industry:**

Jason Crider, CPA Molto Properties LLC

Jeffrey Ellis, CPA FTI Consulting, Inc.

Adam Karac, CPA Baxter International Inc.

Michael Maffei, CPA GATX Corporation

Thomas Masterson, CPA Medix

Matthew Mitzen, CPA CNA Financial Corp.

Lisa Sezonov, CPA Northern Trust

Richard Tarapchak, CPA Reynolds Group Holdings

William Wang, CPA MAT Holdings, Inc.

Daniel Wilfong, CPA Sunset Transportation, Inc.

**Staff Representative:** Rafael Wiesenberg, CPA Illinois CPA Society