



December 13, 2010

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

File Reference No. 1880-100

Dear Technical Director:

The Accounting Principles Committee of the Illinois CPA Society (Committee) appreciates the opportunity to provide its perspective on the Proposed Accounting Standards Update, *Receivables (Topic 310), Clarifications to Accounting for Troubled Debt Restructurings by Creditors*. 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.

INTRODUCTION

The proposed changes for determining the existence of a troubled debt restructuring will eliminate diversity in practice and provide a more conservative approach. Although we have some concerns, this standards update may be an appropriate correction for determining what constitutes a troubled debt restructuring. However, since International Financial Reporting Standards do not address troubled debt restructurings, and the impairment model is being reconsidered, we question whether this is a temporary solution that may change. The impairment model may not include some of the same triggers that are included in this proposed standard. Due to the amount of effort that application of this standard will require, the Financial Accounting Standards Board should reconsider the proposed transition and effective date. Retrospective application will be time consuming. Also, retrospective application for disclosure purposes may provide limited, if any, value since the calculation of impairment is proposed on a prospective basis.

QUESTION 1

Would precluding creditors from applying the guidance in paragraph 470-60-55-10 create any operational challenges for determining whether a troubled debt restructuring exists?

We do not perceive this to be a challenge going forward. The treatment of a debtor and a creditor was not intended to be symmetrical. Most of the guidance about troubled debt restructurings (TDRs) was written for the debtor and has been analogized to the creditor. FASB ASC 310-40-15-3 and FASB ASC 470-60-15-3, formerly FTB 80-2, however, specifically note that “a debtor may have a TDR under Statement 15 even though the related creditor does not have a TDR.”



QUESTION 2

Do you believe that the proposed changes to the guidance for determining whether a TDR exists would result in a more consistent application of TDR guidance? If not, please explain why.

We believe the proposed changes to the guidance for determining the existence of a trouble debt restructuring would result in a more consistent and conservative approach. The guidance eliminates some of the practical expedients that some, but not all, creditors have taken in order to determine if modifications are TDRs. Under the proposed changes:

Creditors will be precluded from using the guidance for debtors in determining whether a concession has been granted.

- Some creditors used this guidance as one step test to conclude that a concession was not granted solely by a comparison of the effective interest rate before and after the restructuring, even though no single characteristic or factor taken alone was supposed to determine whether a modification is a TDR. This resulted in some modifications that should have been TDRs, but were not recognized as such. By precluding creditors from using this guidance, some of the diversity in practice will be eliminated.

A restructuring that results in an insignificant delay in contractual cash flows may still be considered a TDR.

- The impairment guidance in ASC 310-10-35-17, formerly SFAS 114, states that a creditor need not consider an insignificant delay or insignificant shortfall in the amount of payments in order to determine whether a loan is impaired. However, some creditors have extended the impairment guidance in determining whether a loan is a TDR. Therefore, some modifications that might have been TDRs were eliminated from consideration. This guidance will result in a more consistent application of what constitutes a TDR.

A restructuring that results in a temporary or permanent increase in the contractual interest rate cannot be presumed to be at a rate that is at or above a market rate.

- Some creditors have assumed that an increase in contractual interest rate is an indication that a concession has not been granted. Some of the diversity in practice may be eliminated by including this guidance.

QUESTION 3

The Board decided that a creditor may consider that a debtor is experiencing financial difficulty when payment default is considered to be “probable in the foreseeable future.” Do you believe that this is an appropriate threshold for such an assessment? If not, please explain why.

We do not believe this to be an appropriate threshold for such an assessment. Uncertainty exists in relying upon probabilities, which are insufficient when used as indicators. A creditor will need to consider all facts and circumstances when determining if a debtor is experiencing financial difficulty.



However, it may be too difficult to decide if the default is “probable in the foreseeable future”. We are not clear on what that term means.

QUESTION 4

Are the proposed transition and effective date provisions operational? If not please explain why.

We do not believe the proposed transition and effect date provisions to be operational. A prospective application for disclosing troubled debt restructurings and calculating the impairment related to those receivables is more operational. Creditors will be required to perform an extensive review of all loan modifications to identify which modifications were restructured under the revised guidance. Therefore, creditors will be looking a second time at modifications that would have never been TDRs and applying the revised guidance to all other modifications, which will be a time consuming process. For that reason, additional time must be allotted to prepare for this standards update.

QUESTION 5

Should the transition and effective date be different for nonpublic entities versus public entities? If so, please explain why.

We do not believe that the transition and effective date should be different for nonpublic entities versus public entities.

QUESTION 6

Should early adoption of the proposed amendments in this Update be permitted? If so, please explain why.

We believe early adoption of the proposed amendments in this update should be permitted if disclosures about Troubled Debt Restructurings in Update 2010-20 are not deferred.

We appreciate this opportunity to offer our comments.

Sincerely,

Reva Steinberg, CPA

Chair, Accounting Principles Committee

Jeffery Watson, CPA

Vice-chair, Accounting Principles Committee



APPENDIX A
 ACCOUNTING PRINCIPLES COMMITTEE
 ORGANIZATION AND OPERATING PROCEDURES
 2010-2011

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)

Robert A. Dombrowski, CPA	McGladrey & Pullen LLP
John A. Hepp, CPA	Grant Thornton LLP
Alvin W. Herbert, Jr., CPA	Retired/Clifton Gunderson LLP
Scott G. Lehman, CPA	Crowe Horwath LLP
Matthew G. Mitzen, CPA	Blackman Kallick LLP
Reva B. Steinberg, CPA	BDO USA LLP
Jeffery P. Watson, CPA	Blackman Kallick LLP

Medium: (more than 40 professionals)

Gilda M. Belmonte, CPA	E.C. Ortiz & Co, Ltd.
Marvin A. Gordon, CPA	Frost, Rittenberg & Rothblatt, P.C.
Ronald R. Knakmuhs, CPA	Miller, Cooper & Co. Ltd.
Jennifer L. Williamson, CPA	Ostrow Reisen Berk & Abrams Ltd.

Small: (less than 40 professionals)

Barbara Dennison, CPA	Selden Fox, Ltd.
Kathleen A. Musial, CPA	BIK & Co, LLP
Michael D. Pakter, CPA	Gould & Pakter Associates LLC

Industry:

Christopher M. Denver, CPA	Solomon Edwards Group LLC
Kenneth J. Frederickson, CPA	NGL
Farah. Hollenbeck, CPA	Hospira, Inc.
James B. Lindsey, CPA	TTX Company
Michael J. Maffei, CPA	GATX Corporation
Jacob R. Mrugacz, CPA	U.S. Cellular
Karen R. Page, CPA	David Lewis Co.
Anthony Peters, CPA	McDonald's Corporation

Educators:

James L. Fuehrmeyer, Jr. CPA	University of Notre Dame
Laine E. Malmquist, CPA	Judson University
Leonard C. Soffer, CPA	University of Chicago

Staff Representative:

Paul E. Pierson, CPA	Illinois CPA Society
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