ILLINOIS CPA SOCIETY™

December 19, 2013

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

File Reference No. 2013-320

The Accounting Principles Committee of the Illinois CPA Society (Committee) appreciates the opportunity to provide its perspective on *FASB Proposed Accounting Standards Update—Development Stage Entities—Elimination of Certain Financial Reporting Requirements.* The proposed amendment would remove the definition of a development stage entity from Topic 915, eliminate currently required disclosures for such entities and remove related guidance in Topic 810. 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 FASB's efforts to reduce the cost and complexity associated with the incremental reporting requirements of development stage entities. Our responses to the questions posed by the exposure draft are noted below:

1. *Do you agree with the proposed amendments described in this proposed update? If not, please explain which proposed amendments(s) you disagree with and why.*

   We agree with the proposed amendments described in this proposed update. We agree that providing the inception-to-date information about income, expenses, cash flows, equity transactions and accumulated deficits provides little value to investors and that if information of this nature is needed it can be obtained from historical financial statements. Our committee members have worked with development stage entities that remained in the development stage for long periods of time, resulting in lengthy disclosures that provided no additional value to investors and challenges in transitioning to new auditors.

2. *Under the proposed amendments, all entities applying Topic 810 would be required to evaluate the total equity investment at risk using the guidance on the sufficiency of equity investment at risk in paragraphs 810-10-25-45 through 25-47 which requires both qualitative and quantitative evaluations. Will the proposed amendments to Topic 810 result in substantive changes in the consideration of a development stage entity for consolidation? Do you agree with this change? How significant would the change be?*

   We agree with the proposal to modify Topic 810 by removing the guidance in paragraph 810-10-15-16 pertaining to development stage entities. We agree that the guidance in that paragraph is unclear as written and that it is likely that disparate interpretations have developed. We believe that it would be an improvement to apply the qualitative guidance concerning the design of the entity and the intentions of the parties in paragraphs 810-10-25-45 to -47 to all entities, including those in the development stage.

   In our limited experience, we do not believe that paragraph 15-16 causes entities to be *excluded* from consolidation consideration, as the Board notes in paragraph BC14. Rather, it has been our experience that unless a development stage entity is sufficiently capitalized at the inception of a development phase to finance all of the subsequent activities of that phase, the entity will be considered to have insufficient equity at risk under paragraph 810-10-15-14(a) and therefore a variable interest entity. Entities in the development stage often cannot obtain traditional financing and by design are dependent upon the subordinated financial support of the equity holders until development is complete. Therefore, we suspect that most development stage entities are already being evaluated for potential consolidation.

3. *Is there information, either previously required and proposed to be eliminated or not previously required, that would be useful to investors and potential investors of development stage entities? If so, please describe the information that development stage entities should be required to provide and why.*

   We believe that none of the previously required and proposed-to-be-eliminated disclosures would be useful to investors or potential investors of development stage entities. We are also unaware of information *not* previously required that would be useful to such investors or potential investors. In addition, we note that if any information about development activities would be useful to investors it should be included within the Nature of Operations disclosure required by 275-10-05-4, or in the Management's Plan disclosure (if required due to substantial doubt about an entity's ability to continue as a going concern).

4. *Will the proposed amendments result in substantive changes to the application of other existing guidance that would require transition provisions or that the Board should consider in determining the appropriate effective date to the final amendments? If so, please describe.*

   We believe the proposed amendments may result in substantive changes to the application of other existing guidance. While the removal of disclosure is a simple change that could be implemented immediately, we believe there is the *potential* to have new variable interest entities as a result of the removal of the guidance in paragraph 810-10-15-16. While we believe that it is unlikely, as stated in our response to question 2, it is possible that consolidation would need to be evaluated and thus a transition period would be necessary.

5. *The proposed amendments would apply to public and nonpublic entities. Will any of the proposed amendments require special consideration for nonpublic entities? If so, which proposed amendments(s) will require special consideration and why?*

   We believe that the proposed amendments will not require special consideration for nonpublic entities. The information that was previously disclosed could be obtained by investors from management if necessary. Removing this information from the financial statements of development stage entities would ease the reporting requirements for both nonpublic and public entities.

We appreciate the opportunity to offer our comments.

Sincerely,

Scott G. Lehman, CPA
Chair, Accounting Principles Committee

Amanda M. 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, Ruttenberg & Rothblatt PC
Tad Render, CPA	Miller Cooper & Company Ltd
Steven Roiland, CPA	FGMK, LLC
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	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 Tarapchak, CPA	Navistar International Corporation
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Martin Coe, CPA	Western Illinois University
James Fuehrmeyer, Jr., CPA	University of Notre Dame
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Gayle Floresca, CPA	Illinois CPA Society