



July 7, 2015

Technical Director  
File Reference No. 2015-260  
FASB  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856-5116

Dear Sir or Madam:

The Accounting Principles Committee of the Illinois CPA Society (“Committee”) is pleased to comment on the Proposed Accounting Standards Update, Business Combinations – Simplifying the Accounting for Measurement-Period Adjustments, dated May 21, 2015.

The Committee is a voluntary group of CPAs from public practice, industry, education, and government. 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 our Committee are outlined in Appendix A to this letter.

*General comments:*

In general, the Committee wants to commend the FASB on its efforts to implement its Simplification Initiative. The overall plan to review existing standards for areas where cost and complexity can be reduced while maintaining or increasing financial statement usefulness should prove beneficial and meaningful to all parties involved.

The examples provided not just with the simplification updates but with any update should provide clear guidance that is relevant to a significant subset of users. In the past, the examples for some updates have been industry-specific to such an extent as to be confusing to users in other industries rather than being of assistance. A specific example of clear presentation could be the addition in paragraph BC3 of a comment such as, “the intended effect of the Update is to ensure that the assets, liabilities, equity and cash flows of the entity at the end of the period in which the measurement period adjustment is made are the same as they would have been had the provisional amounts been recognized and recorded as of the date of the transaction.” This appears to be the intention though it does not appear to be clearly stated anywhere in the Update.

The Committee looks forward to reviewing and commenting on additional such exposure drafts in the future.

Following is the Committee’s response to questions 1 to 4 posed in the exposure draft:

**Question 1:** Should adjustments to provisional amounts and the corresponding adjustment to goodwill that are identified during the measurement period be recognized in the reporting period in which the adjustment amount is determined? Why or why not?

- Yes. The burden to companies to determine and quantify the amount of the adjustment that had been incurred at acquisition versus what has been learned subsequent to acquisition does not provide material clarity to the financial position of the company. A simple cost benefit analysis in many cases shows that this burden is not often justified, given the improved precision in estimates since 2007 when the initial Business Combination Standard was issued.
- The Board identified an issue that potentially acquiring companies may no longer finalize estimates in a timely manner based on this proposed simplification update. While this may be true, the majority should not be punished for the few – those who do not identify their adjustments in a timely manner expose their financial statements to misstatement, while those who are diligent and detailed in their estimates likely will not face material changes from their initial estimates. Companies have an incentive to complete the estimates as quickly as possible to limit any adjustments in future periods. This incentive should outweigh any potential for a company to not move forward in the most expedite manner to finalize their estimates.

**Question 2:** If adjustments to provisional amounts as of the acquisition date would have affected earnings in periods subsequent to the initial accounting for the business combination, should the effect on earnings, in periods prior to the adjustment period, of changes in depreciation, amortization, or other income effects be recognized in the income statement in the reporting period in which the adjustment to the provisional amount is determined? Why or why not?

- Yes. This gets to the heart of the purpose of this Update, simplification. Without the ability to recognize adjustments when identified, the Update does not truly simplify the measurement period adjustment process.
- Any adjustments identified during the measurement period would be visible to a financial statement user based on the disclosures to be required.
- Tools available today allow companies to estimate initial estimates with greater precision than when the Business Combination Standard was approved in 2007. In addition, companies are still required to support their estimates to provide sufficient audit evidence to their auditors that no material misstatement exists within the financial statements. With that incentive, companies remain motivated to have a precise initial estimate at acquisition.
- In addition, the disclosure requirements are sufficient to provide clarity for a reader of the financial statements to determine management's ability to estimate value at acquisition.

**Question 3:** Should the proposed guidance be applied prospectively to adjustments made to provisional amounts that are identified after the effective date and that are within the measurement period? Why or why not?

- Prospective adoption allows for comparative financials across the industry. Retrospective application, even if required, would likely lead to additional inconsistencies and confusion among preparers and users as accounting and disclosures for already completed transactions could change while the transaction is still in its measurement period.

**Question 4:** How much time will be necessary to adopt the amendments in this proposed Update? Should early adoption be permitted? Should the amount of time needed to apply the proposed amendments by entities other than public business entities be different from the amount of time needed by public business entities?

- As a simplification standard, the implementation should not change the accounting for initial acquisitions, but should simplify the subsequent measurement and reporting requirements. Implementation for public and private entities should occur at the same time as the purpose of the update, simplification, is accomplished by the proposal.
- Early adoption should be permitted as well given the benefits of this simplification update. We would anticipate that there would be a significant number of early adopters given the benefits the Committee perceives in the Update.

The Illinois CPA Society appreciates the opportunity to express its opinion on these issues. We would be pleased to discuss our comments in greater detail.

Sincerely,

**Scott G. Lehman, CPA**

Chair, Accounting Principles Committee

**Ryan Brady, CPA**

Vice Chair, Accounting Principles Committee

APPENDIX A  
 ACCOUNTING PRINCIPLES COMMITTEE  
 ORGANIZATION AND OPERATING PROCEDURES  
 2015-2016

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 (Vice Chair)	Grant Thornton LLP
John Hepp, CPA	Grant Thornton LLP
David Jamiolkowski, CPA	Baker Tilly Virchow Krause, LLP
William Keirse, CPA	Ernst & Young LLP
Scott Lehman, CPA (Chair)	Crowe Horwath LLP
Reid Mitchell, CPA	Wipfli LLP
Elizabeth Prossnitz, CPA	BDO USA LLP

**Medium:** (more than 40 professionals)

Timothy Bellazzini, CPA	Sikich LLP
Christopher Cameron, CPA	
Michael Kidd, CPA	Mowery & Schoenfeld LLC
Matthew Mitzen, CPA	Frost Ruttenberg & Rothlatt PC
Krunal Shah, CPA	Mitchell & Titus 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	Cray Kaiser Ltd CPAs
Joshua Lance, CPA	Joshua Lance CPA, LLC

**Industry:**

Rose Cammarata, CPA	CME Group Inc.
Anand Dalal, CPA	Toji Trading Group LLC
Ashlee Earl, CPA	Seaway Bank and Trust Company
Jeffrey Ellis, CPA	FTI Consulting, Inc.
Farah Hollenbeck, CPA	Abbvie
Marianne Lorenz, CPA	AGL Resources Inc.
Michael Maffei, CPA	GATX Corporation
Ying McEwen, CPA	CNH Industrial N.V.
Anthony Peters, CPA	McDonald's Corporation
Martin Ross, CPA	Riveron Consulting LP
Amanda Rzepka, CPA	Jet Support Services, Inc.
Richard Tarapchak, CPA	National Material

**Staff Representative:**

Gayle Floresca, CPA	Illinois CPA Society
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