



February 29, 2016

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

File Reference No. 2015-350

The Accounting Principles Committee of the Illinois CPA Society (Committee) appreciates the opportunity to provide its perspective on the Proposed Accounting Standards Update—*Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. 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 are supportive and appreciative of the Board's efforts in their goal of improving the effectiveness of disclosures in the notes to the financial statements through the disclosure framework project and specifically through the proposed Update regarding disclosure requirements for fair value measurement. However, we have concerns that we believe should be addressed in this proposed Update.

We recommend adding the phrase "if material" following "A reporting entity shall disclose" in paragraphs 820-10-50-2 and 820-10-50-6A to re-emphasize the importance of only providing material information and to avoid creating any confusion over whether a particular disclosure is required. The Board mentions in the proposed Update that amendments from the Proposed Accounting Standards Update, *Notes to the Financial Statements (Topic 235): Assessing Whether Disclosures Are Material* were considered by the Board when developing the proposed Updated on disclosure requirements for fair value measurement. Adding "if material" after "A reporting entity shall disclose" will further clarify and amplify the Board's desires in removing immaterial disclosures.

We also recommend that before the Board exempts private companies from the fair value disclosures noted in the proposed Update, that they should see whether the disclosure materiality clarification would accomplish that same goal before making across the board exemptions for private entities. If the Board decides to exempt private companies from the financial disclosures noted in the proposed Update, we believe they should also exempt entities other than public business entities like employee benefit plans and not-for profit organizations.

We also recommend a further clarification and modification to the measurement uncertainty disclosure to remove the qualitative disclosure of sensitivity around fair value measurements and instead disclose the range of potential outcomes at the balance sheet date. These disclosures are already being provided by companies reporting under IFRS and would provide useful information to users of the financial statements.

Dissenting Views

Some members of the Committee felt it necessary to include dissenting views of certain items mentioned above. Specifically, one Committee member believes that paragraph 820-10-50-1C makes it clear that the disclosures in this Subtopic are intended only for items deemed material. The Committee member believes by repeating the reference to materiality again, as proposed above, in paragraphs 820-10-50-2 and 820-10-50-6A would create an unnecessary level of confusion for preparers and auditors by emphasizing that a particular disclosure requirement is more important than another disclosure within the Subtopic.

Other Committee members take exception to paragraph 820-10-50-1D, which addresses the objective of the disclosure requirements in this Subtopic, specifically, "item a. The valuation techniques and inputs that a reporting entity uses to arrive at its measures of fair value, including judgments and assumptions that the entity makes." Those Committee members believe that adding a. to the objectives of disclosure will ensure that the overall effect will be to increase disclosure unless there is clarification as to whether the objective only applies to an item that is individually material or items measured with

similar models and assumptions that are collectively material. They believe that the objective of fair value disclosures should be to report the amount of fair value, the uncertainty inherent in the measurement technique (i.e. level 1, level 2 or level 3) and the extent of that uncertainty in level 3 (the range of values in measures based on unobservable inputs). The objective should not be to provide extensive information that would permit a user to reverse engineer the valuation process or second-guess the amounts reported in the statement of financial position or to provide a macroeconomic forecast for each of the environments in which the entity operates. Further, the objectives should be at a consistent unit of account. While the objectives in subparagraphs b, c, and d of the proposed revisions can be applied at a portfolio level, the proposed revision in subparagraph a. could vary for each valuation exercise, each market or economy the entity operates within, and each type of asset. A disclosure objective at that unit of account would be practicable, perhaps, if applied to a single item, but becomes impracticable when applied at the level of aggregation of the financial statements. Those members believe that disclosure objectives based on materiality should not be determined at the level of a single instrument or asset. In most cases, it should be enough to disclose the level within the fair value hierarchy and, for level 3, a range of values at the portfolio level. Disclosure of assumptions that are forward-looking information or similar to an economic forecast may be better addressed within Management's Discussion and Analysis rather than the audited financial statements.

In regards to exceptions for private companies, in a principles-based environment based on materiality, overall it may make more sense to apply exceptions at the level of the objective instead of the individual disclosure. Applying exceptions at the level of the individual disclosure limits discretion by a private company and implies that the disclosure is always required by a public company. Those Committee members believe that the users of the financial statements of private companies are mainly concerned with the amount, the inherent uncertainty and the range of values and do not require detailed information about valuation techniques, assumptions and judgments. If the Board decides to retain the disclosure objective in subparagraph a. for private companies, the members recommend that disclosures about valuation models, assumptions and judgments not apply to private entities or only apply to individually material Level 3 valuations.

We appreciate the opportunity to offer our comments.

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	University of Illinois Urbana-Champaign
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
Michael Kidd, CPA	Mowery & Schoenfeld LLC
Matthew Mitzen, CPA	Marcum LLP
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	Case New Holland
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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