



April 25, 2019

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

File Reference No. 2019-400

Proposed Accounting Standards Update (ASU), *Compensation—Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606)*

The Accounting Principles Committee of the Illinois CPA Society (“Committee”) appreciates the opportunity to provide its perspective on the Proposed Accounting Standards Update (“ASU”), *Compensation—Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606)*. 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.

The Committee is divided on the approach outlined in the proposed ASU. A slight majority of the Committee believes the fair value of share-based consideration payable to a customer should be measured on the date that other consideration in a revenue arrangement is measured. Those members believe that measuring the fair value of the share-based consideration on the grant date may obscure the economics of the revenue transaction, particularly in situations where the issuer’s share price increases. While the Committee understands why the Board decided to change the measurement date in transactions involving the issuance of share-based consideration to non-employee service providers, those reasons do not appear applicable to a vendor-customer relationship, particularly when the customer has a choice of vendors from which to purchase a product or service. While measuring the fair value of share-based consideration at the grant date would lessen the administrative burden associated with measuring fair value, a vendor that issues share-based consideration as part of a revenue arrangement will be required to determine when to recognize the fair value as a reduction of the associated revenue. Therefore, the proposed amendment only slightly relieves the administrative burden associated with the issuance of share-based consideration to a customer.

Other members of the Committee agree with the amendments proposed by the Board to require that the fair value of share-based consideration payable to a customer be measured on the grant date, even if the grant date is other than the date on which other consideration in a revenue arrangement is measured. In the case of a grant that is associated with a master agreement, the ability to measure the fair value of the share-based consideration on the grant date eases the administration associated with the grant by eliminating the multiple measuring dates that would result if the fair value were determined on the date on which the portion of the overall grant that is associated with a specific revenue transaction is determined.

The Committee recommends that the Board align the wording in paragraph 3 of ASC 718-10-30 with the proposed wording in paragraph 26 of ASC 606-10-32. When a reporting entity has entered into a multiple element arrangement involving a revenue arrangement and the purchase of goods or services, paragraph 26 of ASC 606-10-32 requires the reporting entity to recognize the excess of the fair value of share-based consideration issued in exchange for goods or services as a reduction of the transaction price in the revenue arrangement. We believe similar guidance should be provided in paragraph 3 of ASC 718-10-30.

The Committee also recommends that the Board provide guidance on how a reporting entity should account for an arrangement where the grant date of an award is after the initial measurement of the transaction price of a revenue arrangement. In particular, if the exercise price of the share-based consideration is subject to adjustment after the reporting entity and its customer enter into a revenue arrangement, would the potential variability in the fair value of the award require the reporting entity to apply the constraint on variable consideration?

\* \* \* \* \*

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

APPENDIX A  
ACCOUNTING PRINCIPLES COMMITTEE  
ORGANIZATION AND OPERATING PROCEDURES  
2019-2020

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
Ashley Carboni, CPA	KPMG LLP
Michael Couillard, CPA	Baker Tilly Virchow Krause LLP
Matthew Denton, CPA	Sikich 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
Jason Plourde, CPA	Grant Thornton LLP
Elizabeth Prossnitz, CPA	BDO USA LLP
Darshana Raigaga, CPA	BDO USA LLP
Christopher Shue, CPA	Capin Crouse LLP
Daniel Siegert, CPA	Deloitte LLP

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

Almira Goethe, CPA	CDH, PC
Danielle Martin, CPA	Porte Brown LLC
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:**

Mollie Adams, CPA	Bradley University
John Hepp, CPA	University of Illinois at Urbana-Champaign

**Industry:**

Jeffrey Ellis, CPA	FTI Consulting, 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