



August 29, 2019

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

File Reference No. 2019-740

The Accounting Principles Committee of the Illinois CPA Society (“Committee”) appreciates the opportunity to provide its perspective on the Financial Accounting Standards Board’s (“FASB” or the “Board”) Proposed Accounting Standards Update (“ASU”), *Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815), Clarifying the Interactions between Topic 321, Topic 323, and Topic 815, a consensus of the Emerging Issues Task Force (the “Update”)*. 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 agree with the proposed amendments. However, we recommend that the Board add a project to its agenda to address the accounting in Accounting Standards Codification (“ASC”) 323-10-35-23 through 323-10-35-26 for other investments in an investee when the investor’s common stock investment has been reduced to zero through the recognition of the investor’s proportionate share of investee losses. Subsequent to the development of that guidance, the Board has decided that equity securities, other than those qualifying for the use of the equity method or that result in a controlling financial interest in the investee, should be recognized at fair value with changes in fair value recognized in earnings. Further, the Board has decided that an investor should recognize losses expected over the lifetimes of loans and most debt securities. Because of those changes, it is less likely that a reporting entity with other investments in an equity method investee would be deferring losses on its investments that it would otherwise not recognize but for the requirement to record the investor’s proportionate share of investee losses as a reduction in the carrying amount of those other investments prior to applying the sections of the Codification that apply to those other investments. We believe the current approach is complicated and, given the changes referred to above, may no longer be necessary. We believe it would be preferable to eliminate the complexity of the current approach to accounting for other investments in an equity investee, particularly if the reporting entity has not elected the practical expedient to recognizing changes in the fair value of equity securities.

\* \* \* \* \*

We appreciate the opportunity to provide our comments and observations on the proposed Update 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

**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