



November 2, 2020

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

File Reference No. 2020-600

The Accounting Principles Committee of the Illinois CPA Society (“Committee”) appreciates the opportunity to provide its perspective on the *Proposed Accounting Standards Update, Franchisors – Revenue from Contracts with Customers (Subtopic 952-606)* (herein referred to as 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.

The Committee applauds the efforts of the FASB to improve the implementation of Topic 606 and reduce the cost and complexity of applying Topic 606 to identifying performance obligations. However, we do not support introducing guidance for franchisors as outlined in the proposed Update for the reasons cited by Ms. Botosan and Messrs. Buesser and Schroeder in the *Alternative Views* section of the Update. Our Committee believes the Update provides an exception to Topic 606 for non-public franchisors as opposed to introducing a practical expedient. Accordingly, the Update would only reintroduce industry-specific guidance to the accounting for revenue that ASU 2014-09, *Revenue from Contracts with Customers*, was intended to eliminate. Significant cost and complexity in identifying performance obligations relating to pre-opening services under a franchise agreement is not an issue which is unique to franchisors. As acknowledged by the Board in paragraph BC30, other industries may provide upfront services or collect upfront fees and face difficulties, like franchisors, in accounting for these activities. The Committee recommends the Board consider, in lieu of this Update, modifications to step 2 in Topic 606 on how performance obligations are identified that would apply to all reporting entities.

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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,

William Keirse, CPA
Chair, Accounting Principles Committee

Matt Mitzen, CPA
Vice Chair, Accounting Principles Committee

APPENDIX A
ACCOUNTING PRINCIPLES COMMITTEE
ORGANIZATION AND OPERATING PROCEDURES
2020-2021

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 |
| 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 (Chair) | Ernst & Young LLP |
| Melissa Lynch, CPA | Plante Moran, PLLC |
| Jason Plourde, CPA | Grant Thornton LLP |
| Darshana Raigaga, CPA | BKD LLP |
| David Wentzel, CPA | Crowe LLP |

Medium: (more than 40 professionals)

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| Danielle Martin, CPA | Porte Brown LLC |
| Jeffery Watson, CPA | Miller Cooper & Company Ltd |

Small: (less than 40 professionals)

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| Peggy Brady, CPA | Selden Fox, Ltd. |
| Brian Kot, CPA | Cray Kaiser Ltd CPAs |
| Matthew Mitzen, CPA (Vice Chair) | Bronswick Benjamin P.C. |

Educators:

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

Industry:

| | |
|--------------------------|-------------------------|
| John Bercerril, CPA | Elkay Manufacturing |
| Jeffrey Ellis, CPA | FTI Consulting, Inc. |
| Michael Maffei, CPA | GATX Corporation |
| Thomas Masterson, CPA | Medix |
| Elizabeth Prossnitz, CPA | Consultant |
| Lisa Sezonov, CPA | Northern Trust |
| Richard Tarapchak, CPA | Reynolds Group Holdings |
| William Wang, CPA | Union Tank Car Company |
| Daniel Wilfong, CPA | Ansira, Inc. |

Staff Representative: Rafael Wiesenber, CPA Illinois CPA Society