



December 28, 2020

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

File Reference No. 2020-800

The Accounting Principles Committee of the Illinois CPA Society (“Committee”) appreciates the opportunity to provide its perspective on the *Proposed Accounting Standards Update, Issuer’s Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Forwards and Options – a consensus of the Emerging Issues Task Force* (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 supports the Board’s efforts to provide guidance on modifications and exchanges of freestanding equity-classified instruments including written options and forwards, and overall we agree with the proposed changes.

However, we identified two aspects of the proposed guidance that, in our view, should be amended prior to issuing a final ASU:

- The proposed guidance in ASC 815-40-35-17 and 35-18 describes various circumstances in which a freestanding equity-classified forward or option is modified or exchanged, including transactions that involve an equity issuance, a debt origination, a debt modification, and the purchase of goods or services. We believe that this proposed guidance should be expanded to include transactions that involve the sale of goods or services, referencing the applicable guidance in ASC 606.
- We see no reason why the proposed guidance in ASC 470-50-40-17A should apply to increases in fair value but not to decreases in fair value. According to ASC 470-50-40-17, fees received by a debtor from a creditor should be accounted for in accordance with ASC 470-50-40-17(a) and 40-17(b). If a creditor effectively paid a fee to the debtor by, for example, agreeing to increase the strike price of an existing warrant issued by the debtor and held by the creditor, we believe that the value transferred to the debtor via the warrant amendment should be accounted for pursuant to the guidance in ASC 470-50-40-17.

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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)

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	Cray Kaiser Ltd CPAs
Matthew Mitzen, CPA (Vice Chair)	Bronswick Benjamin P.C.

**Educators:**

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 Wiesenberg, CPA      Illinois CPA Society