



LETTER OF COMMENT NO. クノ

November 20, 2006

Mr. Lawrence Smith
Director of Technical Application and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856

Re: Proposed FSP on Fair Value Measurements in Business Combinations and Impairment Test

Dear Mr. Smith:

The Financial Reporting Committee (the "Committee") of the Institute of Management Accountants appreciates the opportunity to provide its views to the Financial Accounting Standards Board (the "FASB") proposed FSP on Fair Value Measurements in Business Combinations and Impairment Test "the proposed FSP."

We have concerns that this proposed FSP will likely create confusion given the short time frame between the implementation date of this proposed FSP and FAS 157. As such, we do not believe that the issuance of this FSP will improve financial reporting given that valuation firms are already looking to FAS 157 as guidance on fair value. To the extent the FASB does move forward with the proposed FSP, below are our comments.

- We believe that the "Notice for Recipient" information is helpful information and should be included in the final FSP to provide guidance to readers on how this FSP will change practice. We also believe that this opening paragraph should be expanded to discuss the differences in today's accounting, the accounting under the FSP and the accounting under FAS 157. The information explaining the differences between this FSP and FAS 157 is important as the FSP and FAS 157 use similar language.

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In the opening paragraph of the "Notice for Recipients" you note that the proposed FSP does not specify that an adjustment for risk must be included in a fair value measurement. We believe that this FSP could move practice backwards if companies look to this FSP as guidance to exclude risk adjusted cash flows or to exclude risk in the discount rate. In addition, it would be helpful to clarify what you mean by "certain other clarifications made by Statement 157".

It would appear that in order to apply the FSP, a company would need to understand the definition of a market participant (as noted in paragraphs 10 and 11 of FAS 157) as well as how to evaluate an asset group purchased (as noted in paragraph 12 of FAS 157 and example 1 of FAS 157). It would appear that without the discussion of the asset group and example 1 of FAS 157 one could assign an inappropriately higher amount (under this FSP) to the billing software as compared to the amount assigned when applying FAS 157.

- In paragraph 4 of the FSP you note that there is diversity in practice related to entity specific information for intangible assets acquired in a group but not those acquired in a business combination. However, it is unclear why you believe that there is not diversity in practice related to intangible assets acquired in a business combination.

- In paragraphs 8 and 9, the FSP discusses defensive value and internal use software and the related accounting but does not discuss the day 2 accounting. Since these are new concepts we believe that day 2 accounting should be addressed in the FSP.

Under the transition provisions of the FSP it is unclear how the provisions would be applied prospectively. For example, what is the effective date for a transaction that has been entered into prior to the effective date and will close after the effective date of the FSP? Should the FSP be applied to impairments tests when they are normally performed in the annual period or should the impairment tests be performed in the first quarter after adoption for the new guidance (which could drive an impairment)? We believe that the FSP should be applied to impairment tests when they are normally performed, but the transition guidance is unclear.

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We would be pleased to discuss any of our comments further. You may contact me at 212-484-6680.

Sincerely,

Pascal Desroches

Chair, Financial Reporting Committee