

March 23, 2007

Technical Director – File #1520-100  
 Financial Accounting Standards Board  
 401 Merritt 7  
 PO Box 5116  
 Norwalk, CT 06856



LETTER OF COMMENT NO. 8

The American Institute of Certified Public Accountants (AICPA) is pleased to offer comments on the FASB's January 15, 2007 Invitation to Comment, *Valuation Guidance for Financial Reporting* (ITC). Specifically, this comment letter was developed by representatives from the following AICPA Committees: Accounting Standards Executive Committee; Auditing Standards Board; Business and Industry Executive Committee; Business Valuations Committee; and PCPS Technical Issues Committee.

Overall, we believe that financial statement practitioners, preparers, users, and valuation specialists need, and would benefit from having, both authoritative and nonauthoritative valuation guidance, as described below.

### Our Depiction of Valuation Guidance

Our comments on this ITC flow from the following depiction of valuation guidance that helped us organize our thoughts on this topic:

*Most General Level of Valuation Practice.* This level represents the various existing standards of professional practice for valuation specialists, which are not unique to GAAP engagements. For example, these standards of practice relate to litigation and tax valuation engagements, among others. We believe that this most general level is and should remain outside the scope of the ITC.

*GAAP Principles Related to Fair Value Measurements.* This level represents the overall financial reporting principles provided in FASB Statement No. 157, *Fair Value Measurements*.

*GAAP Conceptual Valuation Guidance.* As implied in paragraph 11 of the ITC, this level is more detailed than the principles in FASB Statement No. 157 but still is at a conceptual/principles level. For example, one principle in this level might be that valuations prepared in accordance with GAAP should *not* automatically assume that dollar amounts listed next to various elements in a contract between parties is representative of fair value of those elements. (Though this principle exists elsewhere in GAAP, it may not be readily apparent to parties involved in a GAAP valuation matter.)

*GAAP Detailed Implementation Guidance.* This level focuses on how-to (and/or what-not-to-do) guidance on a particular GAAP topic, such as an intangible asset or a financial instrument. We appreciate that no level of guidance can be detailed enough to entirely replace professional judgments and estimates that often are required for inputs to a valuation model.

## Specific Comments on Need for Valuation Guidance

### GAAP Conceptual Valuation Guidance

We believe that FASB should provide authoritative conceptual valuation guidance (as described above). We observe that many key constituents of GAAP financial reporting continue to struggle with “difficult-to-value” topics and would benefit greatly from having more authoritative principles as a baseline.

The Board could accomplish this objective by using one or both of the process approaches described in paragraphs 16b and 16c of the ITC. Regardless of the particular process approach selected, we strongly urge the Board to draw heavily on the expertise and perspectives of practitioners, preparers, users, and valuation specialists when developing conceptual valuation guidance. Likewise, we strongly suggest that the Board’s use of such resources include appropriate representation from the not-for-profit, private company, and public company communities.

We recognize that the Board has a limit in its standard-setting capacity, but we believe this effort is worthy of a high priority.

### GAAP Detailed Implementation Guidance

We believe that there is a need for nonauthoritative detailed implementation guidance (as described above) and expect that information providers (unrelated to FASB) will step up to fill that void. We expect that the marketplace and financial reporting community will recognize superior product and educational offerings.

In summary, we believe that measurements of fair value in accordance with GAAP will improve if the financial reporting community receives (1) authoritative conceptual valuation guidance from FASB and (2) nonauthoritative detailed implementation guidance from the marketplace.

We would like to participate in the public roundtable and, accordingly, will contact Mr. Paul Beswick.

Representatives of the AICPA are available to discuss this letter and other related matters with members of the Board or staff.

Sincerely,

Daniel Noll  
Director of Accounting Standards  
American Institute of Certified Public Accountants