## McGladrey & Pullen

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March 2, 2009

Mr. Russell G. Golden **Technical Director** Financial Accounting Standards Board 401 Merritt 7 PO Box 5116 Norwalk. CT 06856-5116

LETTER OF COMMENT NO. 38

File Reference: Proposed FSP FAS 107-b and APB 28-a

Dear Mr. Golden:

We are pleased to comment on the proposed FASB Staff Position (FSP) No. FAS 107-b and APB 28-a, Interim Disclosures about Fair Value of Financial Instruments.

We support the efforts of the FASB to address concerns about the lack of comparability resulting from the use of different measurement attributes for financial instruments. We agree that increasing the frequency of the disclosures about fair value for certain companies would improve the transparency and quality of information provided to users of financial statements.

Notwithstanding our support of the proposed FSP, we are concerned that the scope of FASB Statement 107 is no longer appropriate and that the scope of this proposed amendment is too broad. This concern is further discussed below. Additionally, we have included our response to the four issues on which specific comment is sought.

## Comments on Specific Issues

Issue 1: Do you agree that the proposed disclosures should apply to all financial instruments currently included within the scope of Statement 107? If not, which financial instruments do you propose should be included within the scope of this proposed FSP?

We agree with the current scope of the proposed FSP being applicable to all financial instruments currently included within the scope of Statement 107.

Issue 2: Do you agree that the proposed disclosures should be applicable to all entities covered by Statement 107? If not, which entities do you propose should be exempt from the proposed additional interim reporting requirements?

We understand from Board discussions that the intent of the proposed FSP is to provide more useful disclosures from entities with significant financial instruments. If this is indeed the Board's intent, then we recommend the scope of the FSP be refined to apply to only those entities and that smaller companies without a significant level of financial instruments not be burdened by the additional disclosure requirements imposed by the FSP.

Issue 3: Are the proposed requirements to disclose fair value information for all interim and annual reporting periods ending after March 15, 2009, operational? If not, what would be an appropriate effective date? Why?

As entities already have the processes and procedures in place for providing these disclosures at year-end, we believe that the effective date does provide sufficient time for affected entities to apply the requirements of the proposed FSP.

Issue 4: Are the proposed requirements to disclose the method(s) and significant assumptions used to estimate the fair value for all financial instruments for all interim periods subsequent to initial adoption operational? Why or why not?

We believe the requirements to disclose the methods and significant assumptions used to estimate the fair value for all financial instruments for all interim periods are operational, however we question whether it is necessary to include this information in interim periods when it may likely be a duplicate of what is included in the annual statements in most cases.

## **Other Comments**

Scope of Statement 107

FASB Statement No. 107 applies to all entities except those that meet all of the following criteria provided in FASB Statement No. 126, Exception from Certain Required Disclosures about Financial Instruments for Certain Nonpublic Entities, an amendment of FASB Statement No. 107:

- a. The entity is a nonpublic entity.
- b. The entity's total assets are less than \$100 million on the date of the financial statements.
- c. The entity has no instrument that, in whole or part, is accounted for as a derivative instrument under FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, other than commitments related to the origination of mortgage loans to be held for sale during the reporting period.

We believe this scope exception should be amended as follows:

- Criteria c. above should be eliminated. We fail to understand why the existence of one derivative financial
  instrument is the appropriate criteria for requiring fair value disclosures on all financial instruments. We
  believe that the amendments to FASB Statement No. 133 require the appropriate fair value disclosures
  related to the derivative financial instrument.
- The asset size limit has not been changed since Statement 126 was issued in 1996. We believe it should be
  increased at a minimum to account for the effects of inflation.

## Clarification of Existing Disclosures

Paragraphs 7-9 of the proposed FSP reiterate the disclosure requirements already in paragraph 10 of Statement 107. While we understand the Board is trying to draw attention to the fair value disclosure requirements in Statement 107, we believe it may appear to the reader of the FSP that the requirements are new or different from those already included in Statement 107, rather than the same disclosures required on a more frequent basis. Therefore, we recommend the FSP clearly indicates these are the disclosures currently required by Statement 107, paragraph 10.

McGladrey & Pullen Comment Letter on FSP FAS 107-b and APB28-a

McGladry & Pullen, LCP

We would be pleased to respond to any questions the Board or its staff may have about any of the preceding comments. Please direct any questions to either Jay D. Hanson (952-921-7785) or Jolene M. Hart (952-921-7735).

Sincerely,

McGladrey & Pullen, LLP