



LETTER OF COMMENT NO. 78

April 23, 2007

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Technical Director
File reference No. 1520-100
Financial Accounting Standards Board
401 Merritt 7
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Norwalk, Connecticut 06856-5116

Dear Sir or Madam,

Thank you for the opportunity to respond to the Invitation to Comment regarding Valuation Guidance for Financial Reporting.

We are concerned that the guidance lacks focus and direction. More clarification on what the guidance is trying to accomplish is necessary with particular emphasis on whether the guidance refers to all assets or only non-financial assets.

We believe that specific valuation guidance for financial reporting purposes could be useful as the current guidance on fair value measurement is not sufficient or specific enough to promote consistent valuation of a diverse range of assets on a principled basis. Determining a value for a specific asset or liability depends largely on the facts of a particular transaction and any guidance should be flexible to allow for a reasoned evaluation of the particular situation.

Our opinions to the specific questions are listed below:

1. Is there a need for valuation guidance specifically for financial reporting?

We believe specific guidance would be useful if it is principle based rather than rules based.

- a. Should valuation guidance include conceptual valuation guidance, detailed implementation guidance, or a combination of both?

The valuation guidance should include only conceptual valuation guidance. Determining a value for a specific asset or liability depends largely on the facts of a particular transaction and any guidance should be flexible to allow for the

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reasoned evaluation of a particular situation. The valuation guidance should also allow for flexibility on determining the value of assets and liabilities according to their designated class. For example, when a building (which is being used indefinitely) has asbestos, Canadian GAAP does not require valuing the asbestos liability because of its indefinite life. According to the current FASB guidance on value measurement, if we were to apply exit value to this asset, the asbestos liability will have to be measured. Another example is when a company buys a car for its employees' use. The value of the car will be more appropriately measured at cost as opposed to exit value. Exit value will reflect the immediate decline in value of the car after a day of purchase (by about 20%) while the cost accurately reflects the value of this asset to the entity.

- b. What should be the duration of any valuation-guidance-setting activities?

We believe that any valuation-guidance-setting activities should be subject to a limited duration. However, a process should be established to re-evaluate the need for more guidance as new issues continue to arise and financial reporting evolves.

2. What level of participation should existing appraisal organizations have in establishing valuation guidance for financial reporting?

In our opinion, existing appraisal organizations should not have a unique role in establishing valuation guidance for financial reporting purposes. A unique role of existing appraisal organizations might create conflict of interest as they are the principal individuals and organizations applying this valuation guidance in the marketplace. We believe existing appraisal organizations should serve as advisors due to their expertise in specific subject matters.

3. What process should be used for issuing valuation guidance for financial reporting?

We agree with some constituents who believe that a resource group of valuation professionals and other interested parties should be formed to provide recommendations on individual fact patterns to the FASB. Separate resource groups could be formed for different fact patterns or issues. This resource group could be tailored to the specific asset or liability classes as issues evolve relating to those classes. We also suggest the FASB obtain input and co-operation from the International Accounting Standards Board (IASB) with respect to the process for issuing valuation guidance.

4. Should the process of valuation guidance be on an international or national level?

In our opinion, valuation issues should be addressed on an international level to ensure a common, principle based approach is adapted which will best serve financial statement users in an increasingly global environment.

If you have any questions concerning this submission please contact me at (250) 387-6692 or by e-mail: Cheryl.WenzeckiYolland@gov.bc.ca, or Carl Fischer, Director, Financial Reporting and Advisory Services Branch, at (250) 356-9272 or by e-mail: Carl.Fischer@gov.bc.ca.

Sincerely,

(Original signed by)

Cheryl Wenzecki-Yolland
Comptroller General

pc: Carl Fischer, Director
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