INSTITUTE OF MANAGEMENT ACCOUNTANTS
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LETTER OF COMMENT NO. 21

November 17, 2008

Robert H. Herz
Chairman
Financial Accounting Standards Board
401 Merritt 7
P. O. Box 5116
Norwalk, CT 06856-5116

Dear Mr. Herz:

The Financial Reporting Committee (FRC) is writing to provide its views on current developments with respect to application of FAS 157. The FRC is the financial reporting technical committee of the Institute of Management Accountants. The FRC is comprised of representatives from preparers of financial statements of the largest companies in the world, the largest accounting firms in the world, valuation experts, accounting consultants as well as academics. The FRC reviews and responds to research studies, statements, pronouncements, pending legislation, proposals, and other documents issued by domestic and international agencies and organizations.

The unprecedented level of illiquidity and dislocation in the capital markets over the past several months has focused an intense interest in FAS 157 and in mark to market accounting generally among all financial reporting stakeholders. Among the actions set in motion was a mandate for a study to be conducted by the SEC on these topics, which is to be provided to the US Congress by January 2, 2009. In addition, the Board has announced a series of roundtable discussions with constituents to better understand issues that have arisen in the current financial crisis. In that regard, we observe that the effect of this crisis on fair values of non-financial assets has been equally challenging. By their nature, the exit markets for nonfinancial assets are inactive and inherently difficult to work with under a FAS 157 measurement regime. We believe that the information being gathered through both the SEC study and the FASB and IASB roundtables as well as the potential opportunity for a converged fair value standard, all suggest that more time should be given before the application of FAS 157 to non-financial assets and liabilities should be required. We therefore urge the Board to consider a further delay in the required effective date of the standard for non-financial assets and liabilities by one year. To the extent a delay is granted, the Board may also wish to consider the delay's impact on other new standards that refer to fair value as defined by SFAS 157 (e.g.,the fair value provisions of FAS 141(R) as related to non-financial assets and liabilities).

We wish to be clear that we do not condone intervention directly or indirectly in private sector standard setting and do not wish our letter to be construed as such. That said, we also believe that these announcements create expectations by financial reporting stakeholders that the potential issues with fair value measurement will be thoroughly examined and that potential solutions will be considered by the FASB through its normal

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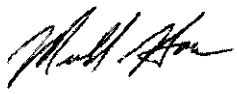
due process. We see a direct conflict between those expectations and leaving the effective date for phase II of FAS 157 unchanged at January 1, 2009, for calendar year companies. Some critics of the Board could misconstrue that as a signal that the Board has already reached a conclusion about the efficacy of its standards and is not seriously considering any changes that would be proposed to deal with the very real issues that exist in the present market conditions.

We appreciate the Board's consideration of these matters and welcome the opportunity to discuss any and all related matters.

Sincerely,



Mick Homan
Chair, Financial Reporting Committee
Institute of Management Accountants

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