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January 9, 2009

Mr. Russell G. Golden
FASB Technical Director
Financial Accounting Standards Board
P.O. Box 5116
Norwalk, Connecticut 06856-5116



LETTER OF COMMENT NO. 4

Re: Proposed FSP FAS 107-a

Dear Mr. Golden:

I am writing in regard to the Proposed FSP FAS 107-a, "Disclosures about Certain Financial Assets: An Amendment of FASB Statement No. 107." I find some of the proposed disclosures to be a modest improvement over current practice. I believe that some of them are unnecessary, however, and perhaps even misleading to investors. I regard this proposal as a step backwards from the Board's position regarding fair value reporting as stated in its basis for conclusions in Statement 133:

"... The Board is committed to work diligently toward resolving, in a timely manner, the conceptual and practical issues related to determining the fair values of financial instruments and portfolios of financial instruments. Techniques for refining the measurement of the fair values of all financial instruments continue to develop at a rapid pace, and the Board believes that all financial instruments should be carried in the statement of financial position at fair value when the conceptual and measurement issues are resolved."

Those words were written well over ten years ago, and progress has been made in the area of fair value reporting since that time, this proposal introduces more disclosure presentation of non-fair value information for certain financial instruments. The presentation of "incurred loss" information for the scoped-in financial assets and presentation of pro forma income from operations on an incurred loss basis is a long step backwards from the Board's stated goal.

I support the tabular presentation of the reported amounts and fair value amounts for the financial assets covered by the proposal, as well as the presentation of the pro forma income from operations (before taxes) as if the relevant financial assets were reported at fair value. These disclosures are consistent with the Board's longer-range goals regarding fair value reporting of financial instruments. I am concerned that the "incurred loss" disclosures present an economic picture that will ignore economic variables affecting performance reporting, and that it will not provide useful information to investors. It also provides an earnings figure that firms might over-emphasize when either the reported basis or fair value basis disclosures show unfavorable market effects.

In short, the proposal requires presentation of two bases of reporting in the footnotes - fair value and incurred loss - in the footnotes, while a mixture of both is presented in the actual financial statements. Proposals like these do nothing to present financial reporting based on standards. Instead, this kind of standard-setting results in financial reporting that's like a buffet dinner where there's something to please everyone - but the food is really bad.

This proposal could bring about the situation that developed when the original Statement 123 was in effect. There was an earnings figure reported in the income statement and an earnings figure reported in the footnotes - and the figure in the footnotes was the one that took into account more of the economic events affecting the company, specifically, the compensation related to stock compensation plans. The fair value information will be more descriptive of the economic events affecting the firm, but its importance may be offset by the presence of the incurred loss information. It's not clear what investor utility derives from the presence of the incurred loss information. It is also unclear how investors benefit from financial statements built upon contradictory earnings concepts.

¹ Paragraph 334, Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," June 1998.

I will briefly address the questions from the proposal:

1. Do you believe that requiring disclosure of different reporting measurement attributes (that is, as reported in the statement of financial position, at fair value, and at the incurred loss amount) for certain financial assets within the scope of this proposed FSP would (a) improve the quality of information provided to users of financial statements and (b) increase the comparability of financial statements under U.S. generally accepted accounting principles (GAAP) and IFRS?

Two out of three isn't bad, as I indicated above. I'd prefer that the information be made available for only the "as reported" and fair value attributes. I see no particular benefit to the disclosures on an incurred loss basis; I only see more potential investor confusion over what "earnings" means - or should mean.

Assuming that the IASB exposure draft, *Investments in Debt Instruments (Proposed amendments to IFRS 7 Financial Instruments: Disclosures)* becomes a final standard in synchronization with this proposal, I believe it would increase the comparability of financial statements under U.S. GAAP and IFRS, at least in regard to these issues.

2. Do you agree that the proposed disclosures should not include financial assets measured at fair value in the statement of financial position with changes in fair value recognized through earnings? If not, would you propose including such financial assets within the scope of this proposed FSP? Should financial assets measured at the lower of cost or fair value (such as mortgage loans) be included within the scope of this proposed FSP?

I agree with the scope of the proposal. I do not believe preparers should have to go through the cost and effort to extract more "incurred loss" information, to no good end for investors.

3. Do you believe that requiring disclosures of the pro forma income from continuing operations (before taxes) for financial assets within the scope of this proposed FSP as if those financial assets were carried (a) at fair value with changes in fair value recognized through earnings and (b) at the incurred loss amount with changes recognized through earnings would improve financial reporting? Should the disclosure requirements described in the preceding sentence also be required for net income and shareholders' equity?

As I discussed above, I believe the disclosures of pro forma income from continuing operations (before taxes) would be useful for investors only on the basis of full fair value reporting for the financial assets covered by the proposal; I would also prefer to see similar disclosures for net income and shareholders' equity. Preparers would have more insight than investors about the after-tax effects of a pro forma fair value treatment with regard to net income and equity. These are important investor metrics, and those additional disclosures would provide more effective information for market participants than simply letting them make their own assumptions about tax effects of a fair value presentation.

4. Would including separate reconciliations of reported income from continuing operations (before taxes) to the proposed pro forma adjusted income from continuing operations (before taxes) under both a fair value basis and an incurred loss basis for financial assets within the scope of this proposed FSP be useful?

As stated before, I believe there is no real investor utility to the "incurred loss" presentation, so I wouldn't see any value to reconciling to it from the reported income from continuing operations (before taxes) figure. It would be useful for investors to see such a reconciliation on a fair value basis, however, because it could show the sources of income changes that have not been captured by the reported figures. They could then be in a position to assess the durability of such effects and whether or not such influences might affect their investment decisions.

5. Do you believe that the provisions of this proposed FSP should be effective for interim and annual reporting periods ending after December 15, 2008? Why or why not? Do you believe that the disclosures in this proposed FSP should be provided on a comparative basis for subsequent periods after initial application of the proposed FSP?

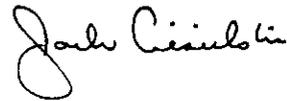
The relevant (fair value) disclosures would be welcomed as soon as possible in light of the Board's recent decision on FSP EITF No. 99-20a. They should be presented on a comparative basis after initial application; investors make time-series comparisons constantly, and if this information is providing investor-useful information, comparative information is necessary.

6. Are all of the disclosures in this proposed FSP operational based on the proposed effective date? Why or why not? Please be specific in your response.

I believe that if the Board drops the incurred loss basis requirements, this proposal is operational on the effective date. Because it isn't extremely different from what is required for current Statement 107 disclosures, the information needed to satisfy the proposed requirements is probably already being collected in some fashion.

That concludes my comments. If you have any questions, please don't hesitate to contact me. Best regards.

Sincerely,

A handwritten signature in black ink that reads "Jack Ciesielski". The signature is written in a cursive style with a large, looping initial "J".

Jack Ciesielski
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