



LETTER OF COMMENT NO. 14

Outlined below are VRC's views/responses to questions listed in the FASB's invitation to comment on Valuation guidance for financial reporting.

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

- Yes. We believe there is a need for valuation guidance for financial reporting purposes as there is significant diversity in practice. We agree with comments in paragraph 9 that application of non-financial reporting guidance (methodologies) in certain cases is not consistent with the objectives of financial reporting.
- We believe that this guidance will help 'bridge the gap' between valuation providers and auditors and reduce variability in practice.

Question 1a – Should valuation guidance include conceptual valuation guidance, detailed implementation guidance, or a combination of both?

- A combination of both. We believe the conceptual guidance is needed with examples which can then be used in parallel situations. As noted in the invitation to comment, valuation is heavily dependant on facts and circumstances. As such, detailed rules-based implementation guidance for every situation would be impossible to provide. However, we believe that current guidance is insufficient and leads to significant diversity in practice.

Question 1b – What should be the duration of any valuation-guidance setting activities?

- Indefinite. We believe that there should not be any time limit associated valuation guidance activities as valuation issues tend to evolve over time and new issues regularly arise.

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

- We believe the ideal role for existing appraisal organizations or other parties (whether part of existing appraisal organizations or not) with specific domain knowledge would be to act in an advisory role to the FASB or other authoritative organization that has the credibility with users (practitioners, auditors and companies). Ideally, this will result in practical technical guidance in the form of practice aids, EITF's or similar documents which will aid the valuation practitioner, auditor and user of financial statements.

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

- Option d - permanent standard setter under the oversight of the FASB and SEC would be the preferable provider of valuation guidance for financial reporting. Options b or c may also be acceptable if valuation practitioners have significant influence in the decision making process given their domain knowledge. Option a is not acceptable as we believe that valuation practitioners have significant domain knowledge (in valuing assets and liabilities) which would be of assistance in developing guidelines. Option b, c and d are acceptable as they have the authoritative strength of the FASB and the specific knowledge that a resource group/specialty organization can offer. We believe that backing by the SEC and FASB is critical to this process so that the resulting guidance has meaning to all stakeholders.

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

- We believe that valuation is based universal economic/financial principals. However, current financial reporting standards differ between the US and International regulatory bodies. As a result, to the extent that financial reporting requirements differ, guidance will need to be provided specific to US based standards. The goal should be, as we work towards harmonization of financial reporting standards, that valuation guidance would be standardized at all levels.

Regards,

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