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Re: Proposed FSP FAS 107-b and APB 28-a

Grant Thornton LLP appreciates the opportunity to comment on the proposed FASB Staff Position (FSP) FAS 107-b and APB 28-a, and we support the Board's effort to improve financial reporting for financial instruments.

General comments

We believe that the Board should consider clarifying within the FSP that, according to paragraphs 35 and C102 in FASB Statement 157, Fair Value Measurements, the disclosures required by Statement 157 are encouraged, but not required, for items disclosed at fair value under FASB Statement 107, Disclosures about Fair Value of Financial Instruments. Such clarification may help to assuage preparers' concerns regarding the volume of new disclosures required by the proposed FSP for interim financial statements.

Also, we believe that the Board should clarify paragraph 10 of the proposed FSP, which states that comparative disclosures for earlier periods are not required at initial adoption, to note that, to the extent that comparable prior-period information is already available (for example, at the most recent fiscal year-end), such comparable information should be disclosed in the interim financial statements.

Additionally, in the interest of providing more relevant and beneficial information to financial statement users, we believe that the Board consider including guidance in the FSP that would establish criteria for disaggregation of fair value disclosures under Statements 107 and 157. We believe that often the fair value measurement disclosures made under existing standards do not provide useful information because the information is aggregated at too high a level. We believe that the disclosures required by Statements 107 and 157 should be amended to include guidance that promotes disaggregation, similar to paragraph 13(e) of AICPA Statement of Position 01-6, A ccounting by Certain Entities (Including Entities With Trade Receivables) That Lend to or Finance the Activities of Others, which requires entities to separately present



major categories of loans or trade receivables either in the balance sheet or in the notes to the financial statements. We believe that this guidance would be beneficial to preparers and ultimately provide financial statement users with more meaningful information.

Our responses to the Board's specific questions in its Notice to Recipients are as follows.

Question 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 the FSP?

We believe that disclosures about the fair values of all the financial instruments within the scope of Statement 107 would provide useful information. Limiting the FSP's scope to only certain instruments within the scope of Statement 107 would create unnecessary reporting complexity, in that entities would have to re-evaluate which instruments are within the scope of Statement 107, and would increase the risk that information beneficial to financial statement users would be omitted due to a narrower scope.

Question 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 believe that the proposed disclosures should apply only to public entities and should be optional for private entities. We do not believe that the costs that would be incurred by most nonpublic entities to fulfill the proposed disclosure requirements would provide sufficient benefit to financial statement users to warrant a requirement for all entities within the scope of Statement 107 to apply the proposed FSP.

We also believe that the Board should modify the applicability of Statement 107. FASB Statement 126, Exemption from Certain Required Disclosures about Financial Instruments for Certain Nonpublic Entities—an amendment to FASB Statement No. 107, currently exempts nonpublic entities with assets of less than \$100 million and no derivative financial instruments from the requirements of Statement 107. In our view, the criterion in Statement 126 precluding entities that have derivative instruments from applying the exemption is no longer necessary in light of the disclosure requirements in FASB Statement 161, Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133.

Accordingly, we recommend that the Board modify the provisions of Statement 126 to eliminate the requirement to have no derivative instruments so that more private entities would be exempt from the interim reporting requirements in the proposed FSP.

Further, paragraph 2 of Statement 126 states that the exemption criteria therein should be applied to the most recent year presented in the comparative financial statements to assess the Statement's applicability. If the Board decides to retain the scope of Statement 107 in the



proposed FSP, we believe that it should clarify this guidance to address the proposed amendment that would require Statement 107 disclosures on an interim basis. In particular, the Board should clarify whether entities should use the balances in the most recent annual comparative financial statements or the current interim-period financial statements when evaluating whether the \$100 million threshold for assets under Statement 126 is met. We believe that using the most recent annual comparative financial statement balances to determine the applicability of Statement 126 is preferable because it would prevent changes in applicability from period to period due to seasonal variations and would minimize complexity in that preparers would only need to assess annually rather than quarterly whether the Statement 107 disclosures are required.

Question 3

A re 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?

In our view, entities that have already applied the guidance in Statement 157 to determine the fair values of financial instruments in the annual financial statement disclosures required by Statement 107 (for example, entities with a December 31 year-end) would have sufficient time to prepare the disclosures contemplated in the proposed FSP for interim periods ending after March 15, 2009, provided that the final FSP is issued before the end of March. However, entities that have not yet applied the guidance in Statement 157 to determine fair values of financial instruments for the annual financial statement disclosures required by Statement 107 (for example, entities with a June 30 year-end) would not have sufficient time to prepare those disclosures before the 40- or 45-day interim filing deadline. Therefore, we suggest that such entities should not be required to prepare interim disclosures until the first interim period after they have made the annual disclosures under Statement 157. For this reason, we believe the proposed FSP should be effective for the first interim period for fiscal years beginning after December 15, 2008.

Question 4

A re 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?

Although we agree that it may be useful to require disclosure of the methods and significant assumptions used to estimate the fair value for all financial instruments in the annual financial statements, we do not believe that the annual disclosures should be repeated in their entirety in the interim financial statements. We believe that disclosure of changes in methods and significant assumptions since the last annual period would meet the needs of users of interim financial reports.

There appears to be an inconsistency between the proposed disclosure requirements of the FSP and the existing disclosure requirements of Statement 157 whereby disclosure of the methods



and significant assumptions for determining the fair value of financial instruments would be required at interim reporting dates (regardless of whether they are recognized or disclosed at fair value), but would not be required for nonfinancial instruments recognized at fair value in an interim period (for example, servicing assets and liabilities pursuant to Statement 156, Accounting for Servicing of Financial Assets: an amendment of FASB Statement No. 140, or nonrecurring fair value measurements). If the Board decides to retain the FSP's proposed requirements for interim financial reports, we believe it should clarify whether these requirements would apply only to instruments within the scope of Statement 107 or also to nonfinancial instruments, which would require an amendment to Statement 157. If the Board decides to retain the FSP's proposed requirements for interim financial reports, we believe that the FSP should amend paragraphs 32(e) and 33(d) of Statement 157 to require interim disclosure of the valuation technique(s) used to measure fair value and a discussion of changes in valuation techniques since the most recent annual reporting date so that financial statement users can understand the changes in the valuation techniques between reporting periods.

We appreciate the opportunity to comment on the proposed FSP and would be pleased to discuss our comments with the FASB staff. If you have any questions, please contact Mark K. Scoles, Partner, Accounting Principles Consulting Group, at (312)602-8780 or Mark Scoles@gt.com.

Very truly yours,

/s/ Grant Thornton LLP