



LETTER OF COMMENT NO. 50

Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

April 13, 2007

To whom it may concern:

Re: ITC: Valuation Guidance for Financial Reporting

Empire Valuation Consultants, LLC is a nationally known, independent valuation firm with nearly 70 people that performs many valuations for financial reporting purposes. We believe we offer a useful perspective regarding financial reporting valuations, in that we regularly discuss valuation issues with reviewers of our work from the "Big Four" accounting firms and many other smaller sized firms. Because of this, we see important issues being treated differently. While each of the positions have their pros and cons, and can reasonably be argued, these differing opinions make valuation analyses problematic when different reviewers can have opposite viewpoints on the same issue.

Further, we believe there also is a certain level of confusion for many smaller firms with less experience in financial reporting, as to the best practices in the field. Therefore, when our firm has work reviewed by people at smaller accounting firms, we often find the need to educate those firms about best practices in financial reporting, but often have limited written resources with which to do so. For these and other reasons we believe better guidelines or practice aids need to be developed for financial reporting purposes. We will discuss this more specifically in our answers below.

Question 1: Is There a Need for Valuation Guidance Specifically for Financial Reporting?

Yes. There are significant differences in opinion in the valuation community on important issues that have material impacts on valuations being performed. Also, there are firms (including smaller accounting firms with valuation groups) that may have limited financial reporting experience and therefore would greatly benefit by having some guidance to follow. There could be great benefit to having valuation guidance that is more detailed than what currently exists. Also, consider that this area is relatively new and as the educational programs begin to catch up to the needs of the marketplace, many of the issues related to lack of experience may clear up naturally.

Question 1(a): Should Valuation Guidance Include Conceptual Valuation Guidance, Detailed Implementation Guidance, or a Combination of Both?

A combination of both, with the primary emphasis on implementation guidance. The first step should be identification of what areas of diversity exist, with a focus on individual components of valuation analyses. We feel that, on a conceptual basis, there is broader agreement on more high-level issues (with certain exceptions that should be worked out with industry participants) and less need for guidance at that level. That conceptual guidance should be provided from already existing organizations that have standards – Appraisal Foundation, ASA, or AICPA (or some combination) perhaps.

Then, detailed guidance in the form of examples and hypothetical circumstances, could be developed that would be of great use. Something similar to topic related practice aids, like the AICPA's in-process research and development guide and cheap stock guide, would likely be most useful for industry participants. This, of course, understands that there will never be definitive guidance applicable to all circumstances, that not all topics can be covered, and that certain facts can lead to different approaches than such guidance would provide.

Question 1(b): What Should be the Duration of Any Valuation-Guidance-Setting Activities?

The valuation standards should be considered on an ongoing, permanent basis, as there regularly are new circumstances that evolve that require thoughtful consideration. This would apply both at the conceptual and practice aid levels. However, as education efforts expand, the need to regularly issue practice guides should lessen significantly.

Question 2: What Level of Participation Should Existing Appraisal Organizations Have in Establishing Valuation Guidance for Financial Reporting?

We feel it would be a large mistake to not have appraisers heavily involved with the process, as appraisers and the leading appraisal organizations, have the needed subject expertise and experience in handling complex valuation issues. There is a large body of knowledge already existing with these people and organizations, and these are the same people that will likely be doing most of the work for financial reporting purposes. They, or perhaps one overseeing organization that can elicit their co-operation, can work with FASB and the SEC, in order to create solid valuation practice guides acceptable for financial reporting, as accounting standards may ultimately dictate.

Question 3: What Process Should be Used for Issuing Guidance for Financial Reporting?

Efforts at a conceptual level could be spearheaded by the Appraisal Foundation, which was established some time ago by the eight major appraisal societies and is a nonprofit organization authorized by Congress as the source of appraisal standards and appraiser qualifications. This organization has the infrastructure, funding and access to appraiser expertise needed as well as the needed credibility to provide or at least co-ordinate the development of valuation guidance.

They also have set procedures already in place to develop and present draft exposures of new/modified standards or guidelines. These procedures could be modified to include more direct involvement of the AICPA, SEC and FASB, earlier in the development process. This would help to ensure that sound appraisal practices are applied for meeting financial reporting needs as understood by the SEC and FASB.

Question 4: Should the Process of Valuation Guidance be on an International or National Level?

To the extent possible, efforts should be made to co-ordinate guidance on an international level, as is being attempted now, at certain organizations. However, significant accounting issue differences, until they are resolved, may dictate that certain types of valuation guidance focus first on the needs of U.S. reporting requirements. Then, over time, the guidance can change as U.S. and international standards begin to more fully converge.

Other Potential Issues:

We do not have any comments on other potential issues that would be particularly relevant or useful at this point.

We appreciate the opportunity to respond to the ITC. We would be happy to discuss any questions you may have regarding this letter. Additionally, let us know if you would like to discuss our participation in your roundtable discussions. Please contact Bill Johnston at 212-714-0122 if we can be of further help.

Respectfully submitted,

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