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Mr. Russell G. Golden  
Director of Technical Application and  
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Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116



LETTER OF COMMENT NO. 15

File Reference: Proposed FSP FAS 157-b

Dear Mr. Golden:

BDO Seidman, LLP is pleased to offer comments on the proposed FASB Staff Position (FSP) FAS 157-b, "Effective Date of FASB Statement No. 157." We support the partial deferral of the effective date of Statement 157, *Fair Value Measurements*, as set forth in the proposed FSP, because we believe that additional time is needed to enhance the implementation of the more complex and challenging aspects of Statement 157 that arise in measuring the fair value of nonfinancial assets and liabilities. Further, we believe the Board's decision not to defer the effective date of Statement 157 for other (primarily financial) assets and liabilities is reasonable. In most circumstances, we expect that the determination of the scope of the proposed FSP will be clear and that most transactions will not involve assets and/or liabilities some of which are within and some of which are outside the scope. If such transactions do occur during the one-year deferral period, we believe entities should be able to make reasonable judgments as to scope issues.

We also believe that the deferral would be beneficial because it would provide additional time for the PCAOB and AICPA to update the auditing guidance in Statement on Auditing Standards (SAS) No. 101, *Auditing Fair Value Measurements and Disclosures*, for both public and nonpublic entities, to reflect the changes in fair value measurements and disclosures resulting from adoption of Statement 157. For example:

- (1) Paragraph 36 of SAS 101 (AU 328.36) discusses assumptions on which the fair value measurement are based, and this paragraph appears to be inconsistent with Statement 157's guidance on market participant assumptions. Specifically, paragraph 36c states that the assumptions need to be realistic and consistent with "the plans of the entity, including what management expects will be the outcome of specific objectives and strategies," which is inconsistent with the Statement 157 concept that assumptions used in fair value measurements are to be from the perspective of market participants, not the perspectives of management or the reporting entity.
- (2) Paragraph 6 of SAS 101 (AU 328.06) discusses assumptions used in fair value



measurements and states, “If observable market prices are not available, GAAP requires that valuation methods incorporate assumptions that marketplace participants would use in their estimates of fair value whenever that information is available without undue cost and effort. If information about marketplace assumptions is not available, an entity may use its own assumptions as long as there are no contrary data indicating that marketplace participants would use different assumptions.” This appears inconsistent with the Statement 157 guidance (paragraph 21b) on unobservable inputs, which states that such inputs reflect the reporting entity’s own assumptions about the assumptions marketplace participants would use. The difference between SAS 101 and Statement 157 is subtle but may be confusing.

- (3) SAS 101 provides no specific audit guidance with respect to the new concepts introduced by Statement 157, such as what the auditor’s considerations should be in auditing the reporting entity’s determination of:
  - a. Unit of account – e.g., level of aggregation or disaggregation
  - b. Exit market – i.e., principal versus most advantageous market
  - c. What constitutes a “market participant” under Statement 157
  - d. Highest and best use (for assets), or nonperformance risk (for liabilities)
  - e. Valuation premise – in-use versus in-exchange
  - f. Level (1, 2, or 3) of inputs and of overall fair value measurements

We believe that harmonizing the auditing standards to match the new accounting provisions of Statement 157 will help auditors, particularly with respect to nonfinancial assets and liabilities.

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We would be pleased to discuss our comments with the FASB staff. Please direct questions to Ben Neuhausen at 312-616-4661.

Very truly yours,  
BDO Seidman, LLP