

April 1, 2009

Russell G. Golden, FASB Technical Director
Financial Accounting Standards Board
401 Merritt 7
Norwalk, Connecticut 06856-5116



LETTER OF COMMENT NO. 339

Re: Proposed FASB Staff Position - FAS 157-e
Determining Whether a Market Is Not Active and a Transaction Is Not Distressed

Proposed FASB Staff Position - FAS 115-a, FAS 124-a, and EITF 99-20-b
Recognition and Presentation of Other-Than-Temporary Impairments

Dear Mr. Golden:

I appreciate this opportunity to respond to the above referenced proposed FASB Staff Position (FSP) exposure drafts. The Board and the FASB staff are to be commended for this prompt response to current domestic and global economic conditions and critics of “mark-to-market” accounting. Providing for an extremely shortened due process period clearly tells the financial community and elected officials this is an issue the Board is willing to address directly and openly.

However, shortening the due process for issues as critical as those addressed in these two exposure drafts reeks of political pressure and undue influence by the financial institution industry. Additionally, I believe the guidance in these proposed FASB Staff Positions reflects this political pressure rather than what is in the best interest of the users of an entity’s financial statements. Based on national news reports and professional publications, my opinion is consistent with that of a number of nationally recognized financial and accounting professionals as well as those associated with regulatory agencies or oversight.

I understand the pressure the Board is currently under, and can somewhat emphasize with it, but I do not believe the Board should sacrifice financial statement integrity and adequate due process to alleviate it. The financial institution industry did not seem to have any concerns about fair value accounting as long as the market for their investments was healthy and growing. Investors did not complain about increased earnings that translated into dividends and/or increased share prices as long as fair value accounting was having a positive impact on an entity’s bottom line. Now, in the midst of one of the world’s worst financial and economic crises, there are suddenly a number of critics of fair value accounting (mostly in or related to the financial institution industry). The Board should not succumb to these pressures by promulgating accounting and reporting standards that may provide a short-term fix to a fundamentally longer-term problem. I believe strongly that accounting and reporting standards should not be based on specific circumstances but rather represent what is best for those using the financial information for decision making purposes.

Is there no one on the Board or the staff that remembers the impetus for SFAS No. 19 and the subsequent fall out and Board response in the 1970s? Were not some lessons learned in the last decades from the issues and market reactions to accounting and reporting standards related to share based compensation? Did not financial statement users, the SEC, representatives of the PBGC, and the Board's own Financial Accounting Standards Advisory Council and User Advisory Council urge the Board to improve transparency and understandability of employers' financial statements related to post-retirement benefit costs and obligations? In light of this standard setting history and the current domestic and global economic situation, is it reasonable that financial statement users would want less transparency and full accounting and reporting related to fair value accounting?

As for the specific questions asked in the **FAS 157-e exposure draft**, my comments are as follows.

- Question 1 – The proposed effective date for interim and annual periods may be operational for the entities driving this guidance but may be impractical for other entities to implement on such short notice.
- Question 2 – I do not believe the proposed FSP improves financial reporting even though it addresses fair value application issues. The current requirements of Statement 157 should be retained.
- Question 3 – *The proposed two-step method is understandable and operational.* However, the potential for manipulation of financial models allowed under this approach is great.
- Question 4 – The factors listed in paragraph 11 are appropriate indicators that a market may not be active.
- Question 5 – Costs to be incurred under this proposed FSP would include additional staff/contractor time to develop models when markets are not active and transactions were distressed. Additionally, additional staff and/or contractor costs would be incurred in evaluating and documenting the active market and distressed transactions decisions. Audit costs would increase as well.

As for the specific questions asked in the **FAS 115-a, FAS 124-a, and EITF 99-20-b exposure draft**, my comments are as follows.

- Question 1 – I do not believe separating an other-than-temporary impairment of a debt security into two components improves financial accounting and reporting. Like Messers. Linsmeier and Siegel, I do not believe these two loss components can be effectively separated.
- Question 2 – The guidance in paragraphs 12-16 of FASB Statement No. 114 and paragraph 12(b) of Issue 99-20 is clear and operational. However, I do not agree that the two components of loss should be separately reported in income (credit component) and other comprehensive income (remaining component). The two components should always be reported in income either separately or in total with the components disclosed in the notes.
- Question 3 – *The modification to the management assertions related to other-than-temporary impairments is more operational than existing guidance and that it could be applied to both debt and equity securities.* However, this would result in

significant changes in the other-than-temporary impairment assessment. Personally, I believe this will create more opportunity for fraudulent financial statements. I also believe this could result in strained relations between an entity and its auditors when they might not be in agreement with management's underlying assertions.

- Question 4 – I do not believe any portion of an impairment loss should be recognized in other comprehensive income; therefore, I do not think amortization of such loss over the remaining life of a debt security is appropriate.
- Question 5 – The proposed effective date for interim and annual periods may be operational for the entities driving this guidance but may be impractical for other entities to implement on such short notice.

The mission of the FASB includes establishing and improving financial accounting and reporting standards to guide and educate issuers, auditor, users, and other members of the public. To this end, the mission expands to state accounting standards are *essential* to the *efficient functioning* of the economy and that resource allocation decisions rely on financial information that is *credible*, concise, *transparent*, and *understandable* (emphasis added). These two proposed staff positions do not further the existing mission of the FASB unless “issuers” have solely become the “public”. The proposed guidance does not result in decision useful information nor does it improve financial accounting and reporting.

Again, I appreciate the opportunity to provide my comments on the above noted proposed staff positions. Should you have any questions, please feel free to contact me at lkmdennis@cfl.rr.com or ldennis@bus.ucf.edu .

Sincerely,

s/ Lynda M. Dennis

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