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January 16, 2008

Mr. Russell G. Golden
Director of Technical Application and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
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LETTER OF COMMENT NO. 8

File Reference: Proposed FSP FAS 157-b

Dear Mr. Golden:

Deloitte & Touche LLP is pleased to comment on the proposed FASB Staff Position No. FAS 157-b, "Effective Date of FASB Statement No. 157."

We support the issuance of the proposed FSP, as we believe there are unresolved implementation issues regarding FASB Statement No. 157, *Fair Value Measurements*, particularly for nonfinancial assets and nonfinancial liabilities. We have included recommendations below, which we believe will help clarify the guidance in the proposed FSP.

Scope

The proposed FSP would benefit from a description of the terms "nonfinancial asset" and "nonfinancial liability." We suggest the description include all assets and liabilities except financial assets and financial liabilities as defined in FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. We have received a number of requests for a definition of these terms, many from valuation experts who may not be familiar with accounting terminology. We agree that examples of items to which the proposed FSP would and would not apply to are helpful, but a description of the terms would alleviate potential confusion.

Paragraph 9 Examples

The FSP proposes to defer the effective date of Statement 157 for nonfinancial assets and nonfinancial liabilities that are not recognized or disclosed in the financial statements on a recurring basis. Included in the list of examples of items not deferred under the proposed FSP are "loans measured for impairment using the practical expedient in FASB Statement No. 114, Accounting by Creditors for Impairment of a Loan (based on the fair value of collateral if the loan is collateral dependent), even if the underlying collateral is nonfinancial." The inclusion of this item appears contrary to the proposed FSP's objectives. We agree that such a loan constitutes a financial asset; however, when an entity applies the practical expedient and values the loan using the underlying collateral, the item being measured is generally a nonfinancial asset (e.g., real estate). In addition, the measurement is not a recurring measurement, as it is only recorded when the asset is impaired. Further, the loan on the balance sheet is not measured at its fair value; rather, the underlying collateral is measured at fair value as a practical expedient for measuring the impairment to the loan's cost basis. Thus, we do not believe the loan is subject to Statement

157's disclosure requirements. If the FASB wants to provide an exception, we believe that the item should be noted as such in the FSP rather than included as an example, which would cause confusion.

We believe the inclusion of an example in paragraph 9 for "Items within the scope of FASB Statement No. 107, *Disclosures about Fair Value of Financial Instruments*, whether recognized or not in the statement of financial position" would be beneficial to entities.

We also recommend including the converse to item 8a, to clarify that financial assets and financial liabilities acquired in a business combination, regardless of whether measured at fair value during subsequent periods, would not be subject to the deferral.

Disclosure

The wording for the proposed disclosure requirements in paragraph 11 is unclear about when the disclosures would be required. We suggest the following revisions (additions underscored):

Any entity that has not applied the provision of Statement 157 <u>in its entirety</u> in interim or annual financial statements shall disclose the following until that Statement is applied to all assets and liabilities <u>within its scope</u>:

Further, paragraph 11(b), which requires disclosure of "each major category of assets and liabilities that are measured at fair value for which, in accordance with the FSP, the entity has not applied the provisions of Statement 157," is unclear as to which fair value measurements it applies. Does it apply only to those items measured at fair value as of the reporting date or also to items initially measured at fair value during the period, but not subsequently carried at fair value? Should the paragraph 11(b) disclosure requirement apply only to items measured at fair value in the financial statements or also to items for which fair value is disclosed?

We also suggest that the proposed FSP include guidance on whether the disclosure requirements in paragraph 11 may be combined with the fair value information disclosed under other accounting pronouncements, similarly to the guidance in paragraph 35 of Statement 157.

Early Adoption

The first sentence in paragraph 13 of the proposed FSP encourages early adoption of Statement 157 for nonrecurring measurements made for nonfinancial assets and nonfinancial liabilities (i.e., not using the FSP's deferral). However, the second sentence in that paragraph is less clear about which early adoption provision this references and how it relates to the previous sentence. The proposed FSP states, "if an entity early adopts Statement 157," which could confuse an entity about whether this refers to the early adoption of the items deferred by the FSP or the early adoption provision in Statement 157. We suggest the following revisions (additions in underscore; deletions in strikethrough):

An entity is encouraged to early adopt Statement 157 for nonrecurring measurements made for nonfinancial assets and nonfinancial liabilities, provided that the entity has not yet issued financial statements for that fiscal year, including any financial statements for an interim period within that year. However, ilf an entity early adopts Statement 157 for nonrecurring fair value measurements made for nonfinancial assets and nonfinancial liabilities, it must do so consistently for all items that are within the scope of this FSP.

We appreciate the opportunity to comment on the proposed FSP. If you have any questions concerning our comments, please contact Sam Loughry at 203-761-3519.

Yours truly,

Deloitte & Touche LLP

cc: Bob Uhl