James Feldman

April 15, 2007

Mr. Lawrence W. Smith
Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

1520-100

LETTER OF COMMENT NO. 64

RE: File reference no. 1520, January 15, 2007: Valuation Guidance for Financial Reporting

Dear Mr. Smith:

I am responding to your invitation to comment on the issues you raised regarding valuation guidance for financial reporting. I appreciate the opportunity to express my opinions on this important subject.

Need for Valuation Guidance

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

Although many corporate accountants and auditors will likely express the opinion that separate guidance specifically for financial reporting is not necessary, I believe that the majority of experienced valuation professionals—those who have the education, training, and experience to do this work—would concur that there is a strong need for such specific guidance. Valuation by its very nature involves professional judgment, but this has also been true, of course, regarding other areas in financial reporting. A substantial body of valuation literature has emerged over the years to aid practitioners in making informed judgments, but there is still considerable diversity in the practice of valuation or securities analysis. Specific valuation guidance for financial reporting would greatly help to remediate the diversity in professional practice.

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

Authoritative valuation literature for financial reporting should certainly combine conceptual or principles-based discussion with detailed implementation guidance to reduce the level of inappropriate or unacceptable diversity of valuation practices in financial reporting. Without such detailed valuation guidance, unschooled accountants may unwittingly produce distorted financial results, and unscrupulous professionals will find fresh opportunities to inappropriately skew or create fraudulent and misleading financial statements.

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

The nature of valuation requires that the standard setting process be continuous to address complex and evolving issues that may arise. To subject the process to some limited duration would be an arbitrary decision.

Level of Participation by Existing Appraisal Organizations

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

There is no question that many of the individuals affiliated with the leading appraisal organizations possess technical skills that are not adequately represented in the FASB standard setting body. The deficiencies in the FASB valuation literature range from imprecise definitions of terms to major gaps in the discussion of valuation approaches and methods. Consequently, there is not only a need for the involvement of representatives from the leading appraisal organizations, but there is also a strong need for the participation of forensic accountants who understand the risks created by imprecise or insufficient standards and the opportunities they create for fraudulent and misleading financial statements. Such forensic accountants may be drawn from those who best know this subject: the experienced accounting practitioners serving shareholders' interests, select members of the Association of Certified Fraud Examiners, or both. And last, but not least, there is a strong need to include individuals in the standard setting process who can write the principles and detailed guidance with clarity, completeness, and concinnity. Including such broad resources in the process will best serve the public interest.

Process for Issuing Valuation Guidance

Question 3—What Process Should Be Used for Issuing Valuation Guidance for Financial Reporting?

I believe that a separate permanent standard setter issuing valuation guidance with oversight from the FASB and the SEC would strike the best possible balance for the development of authoritative valuation literature, addressing the practical exigencies of securities and valuation analysis with a commitment to serving the public interest. To effectively achieve these goals, the permanent standard setter must include representatives from the valuation community (such as individuals from the leading appraisal organizations), forensic accountants (such as experienced practitioners serving shareholders' interests, select members of the Association of Certified Fraud Examiners, or both); and individuals who can articulate the necessary valuation principles and detailed guidance with clarity, completeness, and concinnity.

International Convergence

Question 4—Should the Process of Valuation Guidance Be on an International or National Level?

Although the FASB and the IASB have taken many steps over the years to attempt to converge existing accounting standards, and ideally valuation guidance should also follow this approach *pari passu*, the fact remains that there are differences in practices that could substantially delay progress in the development of the FASB's specific valuation guidance. Therefore, the IASB should certainly be included in the standard setting process to achieve harmonious standards where feasible, but the development of necessary guidance should not be continually postposed for the purpose of finding common ground which may prove elusive.

Sincerely,

James Feldman, CPA, MBA