October 11, 2012

Technical Director

File Reference No. 2012-200

and

Credit Impairment of Financial Assets

FASB

Norwalk, CT 06856-5115

Dear Director:

I read the comment letters on file Reference No. 2012-200 from the Big 4 auditing firms and from the 3 other large auditing firms. All but one of the firms described the proposed disclosures as forward-looking information that should be (or probably should be) presented in MD&A rather than the footnotes to the financial statements. Reasons for placing the disclosures in MD&A included the need for the preparer to have safe-harbor legal protections and for the auditor not to have the audit these disclosures.

I do not consider the proposed quantitative disclosures as being forward-looking. The qualitative disclosures as proposed and as I suggested be added to in my earlier comment letter are necessary for the quantitative disclosures to meet their objective. Thus, I believe the forward-looking issues are not supportable. These disclosures should be presented in the footnotes to the financial statements and be audited.

If audit firms are concerned about these disclosures being forward-looking and a challenge to audit, they should be even more concerned about the "Current Expected Credit Loss Model" that is being developed by the FASB in the Financial Instruments Project. This Model requires an entity-specific forecast of the future. As stated on the FASB website, the Model includes "reasonable and supportable forecasts about the future." This Model clearly is forward-looking data. It would therefore be expected that these firms will push for the results of this Model be in MD&A (for preparer safe-harbor) and not be subject to audit. It will be interesting to see how the firms respond.

To avoid the forward-looking and audit challenge issues, the FASB should drop the "Current Expected Credit Loss Model" and require financial assets be reported at fair value. A fair value measurement includes the market place's expectation about the value of the financial assets' expected cash flows. This is a neutral, representational faithful and auditable measurement. Also, it is already required to be prepared and audited by most reporting entities. Why create more unnecessary complexity in accounting and auditing?

Sincerely,

Edward W. Trott