

CONSTRUCTION FINANCIAL MANAGEMENT ASSOCIATION

The Source and Resource for Construction Financial Professionals

March 28, 2007

Financial Accounting Standards Board 401 Merritt 7 PO Box 5116 Norwalk, Connecticut 06856-5116 LETTER OF COMMENT NO.

Re: File Reference No. 1520-100

The Construction Financial Management Association (CFMA) is pleased to present the following comments related to the Invitation to Comment on "Valuation Guidance for Financial Reporting," file reference number 1520-100.

Founded in 1981, CFMA has 90 chapters across the U.S. and more than 7,000 members. CFMA General Members are CFOs, treasurers, controllers, accountants, financial managers, and those with a financial responsibility for their companies. Associate Members include bankers, insurance and surety bond agents, attorneys, and others who serve the construction industry.

We have chosen to comment on each question in the Invitation to Comment and to provide some additional suggestions related to these questions.

FASB Questions

Question 1a: Should valuation guidance include conceptual valuation guidance, detailed implementation guidance, or a combination of both?

We believe valuation guidance for financial reporting should address a combination of both conceptual and detailed guidance. It is impossible to address every specific valuation situation, and any attempt to do so would create overly complex, and possibly confusing, guidance. However, detailed guidance would benefit businesses in certain situations.

There is a broad body of work to interpret questions of value, establish criteria for standards of value, and document various valuation methods. In instances where detailed direction is unavailable, the Board's implementation guidance on fair value for financial reporting would help clarify the broader work of other organizations.

The business community also needs detailed guidance to determine preferred methods of valuation for financial reporting purposes and to clarify issues within this large body of work when it is relevant to financial reporting.

Question 1b: What should be the duration of any valuation-guidance-setting activities?

We believe that there should be a permanent process to address developments in fair value for financial reporting.

Valuation involves a diverse body of disciplines including accounting, economics, and finance. Valuation theories have evolved over decades from these different specialties and are continuously evolving. New technology will continue to affect the information available to practitioners. This new information is likely to influence valuation best practices. As new practices emerge, the Board's continued guidance on fair value for financial reporting will be useful.

FASB Question 2: What level of participation should existing appraisal organizations have in establishing valuation guidance for financial reporting?

To avoid duplicating existing work, the FASB should investigate the pronouncements other agencies have issued with respect to valuation for financial reporting. In addition, the FASB should employ existing valuation terminology, approaches, and methodologies as it develops guidance on fair value for financial reporting.

The valuation community is large, well established, and very experienced. Several organizations and their members have significant expertise and understanding of valuation practices and emerging issues. CFMA encourages the FASB to leverage the expertise of these organizations in advisory capacity as:

- 1) An advisory board that provides a valuation community perspective, or
- 2) Facilitators who help develop guidance with members of the financial reporting community subject to review and ratification by the FASB.

FASB Question 3: What process should be used for issuing valuation guidance for financial reporting?

CFMA recommends that the FASB utilize existing resources, limit the duplication of effort within the financial and valuation communities, and rely on the technical and practical proficiencies of other industries and sectors. To be effective, the FASB needs a streamlined and thorough approach that considers the viewpoints of many stakeholders and offers reasoned guidance when appropriate. We propose five suggestions:

- Dedicate at least one FASB staff member solely to identifying, exploring, and consulting on the complex issues of valuation for financial reporting. This person should have expertise in financial reporting and valuation, a history of collaborative efforts, and access to a variety of industry publications, trade organizations, and industry events.
 - While this individual requires appropriate resources, guidance, and authority to be effective, CFMA recommends that this person focus more on facilitating discussion than on issuing guidance. The FASB staff member should do more than solicit volunteer comments. Rather, this person should tenaciously pursue the thoughts of recognized experts in the industries that may be affected by valuation guidance for financial reporting.
- 2) Solicit the participation of industry representatives of product-based industries (such as manufacturing and construction) as well as professional service providers (such as taxation, accounting, and valuation professionals) that are effected by, and knowledgeable about, valuation and financial reporting.
 - Industry participation may come in many forms, from impromptu gatherings to formal committees. Regardless of the specific method of participation, CFMA

- encourages the FASB to seek a forum that is efficient, robust, timely, and meaningful.
- 3) Use EITF or FASB Staff Positions to provide a timely response to emerging issues about valuation guidance for financial reporting.
- 4) Develop a formal committee of FASB and industry participants. This will leverage the FASB's resources and allow a large number of disparate industries and non-profit organizations to provide insights.
- 5) Forward any proposed guidance to the Private Company Financial Reporting Committee for review and recommendations. This will help the FASB analyze the full impact of proposed guidance on privately held companies and the users of their financial statements.

FASB Question 4: Should the process of valuation guidance be on an international or national level?

Although the FASB is working toward international convergence with the International Accounting Standards Board (IASB), IASB guidance should be considered one of many sources as the FASB develops U.S. valuation guidance for financial reporting.

It would likely benefit the FASB to request comments from the IASB during the deliberation process. However, the FASB should not delay implementation of standards in an attempt to achieve uniformity with IASB.

As a participant in an industry exceeding \$1 trillion in revenue, approximately 8% of the U.S. Gross Domestic Product (GDP), CFMA appreciates the opportunity to comment on these issues. If there are questions regarding CFMA's position, please contact Lynn Mitchell, Co-Chair, Emerging Issues Subcommittee at 609-452-8000 (ext. 240).

Sincerely,

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