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April 23, 2007



LETTER OF COMMENT NO. 76

Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

**RE: Invitation to Comment, *Valuation Guidance for Financial Reporting*, File Reference No. 1520-100**

Dear Technical Director:

We appreciate the opportunity to respond to the Invitation to Comment, *Valuation Guidance for Financial Reporting*. FASB Statement No. 157, *Fair Value Measurements*, provides appropriate high-level guidance on the determination of fair value for financial reporting. However, we believe that implementation issues will arise from the application of that guidance for fair value measurements. As such, we support the Board's efforts to evaluate the need to provide implementation valuation guidance related to fair value as used in financial reporting. Furthermore, because these issues bear directly on companies' financial reporting practices, we believe it is appropriate for the guidance to be issued through the Board's due process procedures. Our comments to the specific questions raised in the Invitation to Comment are provided below.

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

We believe that there is a need for implementation guidance on valuation issues. Because there may be differences in practice between valuations performed for financial reporting as compared to tax or other valuations, the guidance should be directed specifically to valuations performed for financial reporting purposes. There are differences in practice within the valuation profession related to estimating fair value for financial reporting purposes, in part, because some valuation professionals may attempt to apply valuation practices designed for other purposes to valuations used in financial reporting.

We recognize that many issues regarding valuations will involve judgments in applying the concepts and guidance in Statement 157. Those judgments should be addressed by preparers and auditors with input from valuation professionals. Accordingly, additional guidance on valuation



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issues should not attempt to develop a set of rules for those determinations. However, we believe that additional guidance may be needed to clarify the application of concepts provided in Statement 157 in various situations.

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

We believe that Statement 157 generally provides appropriate conceptual valuation guidance. Therefore, additional valuation guidance initially should be focused on clarification of that conceptual guidance and implementation guidance related to specific valuation issues that arise in practice. The need for additional conceptual guidance should be reconsidered after implementation of Statement 157.

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

Because fair value is an ongoing and increasing aspect of financial reporting, there is currently and will likely continue to be a need for guidance on specific valuation issues as more fair value measurements are included in the financial statements. Therefore, an approach for providing such guidance should be developed with an idea that issues will need to be addressed on an ongoing basis.

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

Because the issues to be addressed would directly affect companies' financial reporting practices, the FASB should be responsible for developing that guidance. However, we believe that it is appropriate for the FASB to involve valuation professionals as a resource in its process.

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

- a. **The FASB could issue valuation guidance without assistance from any external individuals or organizations.**
- b. **The FASB could issue valuation guidance with the assistance from resource groups for specific issues.**
- c. **The FASB could issue valuation guidance with the assistance from an organization structured similar to the FASB's EITF.**
- d. **A separate permanent standard setter could issue valuation guidance under the oversight of the FASB and the SEC.**



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As stated above, we believe that the FASB should be responsible for developing and issuing the implementation guidance because the guidance will affect financial reporting practices. However, the Board should obtain appropriate input from its constituents, including preparers, auditors, users, and valuation professionals in developing that guidance. We believe that can be done with valuation resource groups to assist the Board in addressing valuation issues. We currently do not believe that a separate EITF-like organization or separate standard setter is necessary.

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

Consistent with the Board's convergence objective, the process of providing implementation guidance on valuation issues should be coordinated with the IASB, assuming that the IASB reaches the same conclusions on the definition of fair value and other high-level valuation guidance as the Board did in Statement 157. If both Boards have a common definition and hierarchy for determining fair value measurements in financial reporting, it would benefit the financial reporting process on a global basis for the two Boards to work together in providing implementation guidance on valuation issues.

**Other Potential Issues**

- a. Who should grant authority to issue the valuation guidance?**
- b. What due process procedures should the standard setter follow in issuing valuation guidance?**
- c. How should any other organization that issues valuation guidance be funded?**

Consistent with our views on Question 3, we believe that the implementation guidance should be issued through the FASB's existing due process procedures.

\* \* \* \* \*

We also request to appear at the FASB's Roundtable on this topic to be held on April 30, 2007. Paul Munter will be our representative at the roundtable. If you have any questions about our comments or wish to discuss any of the matters addressed herein further, please contact Mark Bielstein at (212) 909-5419 or Paul Munter at (212) 909-5567.

Sincerely,

**KPMG LLP**