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Via e-mail: director@fasb.org

Mr. Russell G. Golden
Director of Technical Application and
Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
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LETTER OF COMMENT NO. 20

File Reference: Proposed FSP FAS 157-c

Dear Mr. Golden:

BDO Seidman, LLP is pleased to offer comments on the proposed FASB Staff Position (FSP) No. FAS 157-c, "Measuring Liabilities under FASB Statement No. 157." We generally support issuance of the proposed FSP because we believe it clarifies the principles contained in FASB Statement No. 157, *Fair Value Measurements*, with respect to measurement of financial liabilities. However, we have concerns regarding application of the guidance in the proposed FSP to nonfinancial liabilities, as discussed below.

Applicability to nonfinancial liabilities

We agree that the proposed guidance is helpful and consistent with the principles of Statement 157 with respect to financial liabilities. However, we are unsure how the guidance in the proposed FSP would be applied to nonfinancial liabilities, such as obligations of a service or contingency nature. For example, in a service-based obligation, would the proceeds to be received by the reporting entity for issuing an identical obligation still be equivalent to the amount market participants would demand to assume such an obligation? Consider a prepaid contract to perform services for 5 years that is assumed in a business combination. The exit price notion of Statement 157 would require the reporting entity to measure the value of the liability at the amount that a 3rd party would require to assume the obligation from the reporting entity. Presumably, the 3rd party would determine that amount based on factors such as the cost and risk of performing the services (including opportunity costs), an appropriate profit margin, and other relevant factors. In some cases, it might be possible that those factors would be different for a market participant than for the reporting entity. For example, a 3rd party might require a greater payment than the reporting entity would (and did) require for assumption of the obligation if the reporting entity had certain efficiencies that allowed it to charge a lower cost for the services than a market participant.

Is the guidance in the proposed FSP intended to require, permit, or preclude consideration of these factors other than nonperformance risk in measuring the fair value of a liability under Statement 157? If such factors should be considered, we think it would be helpful to include guidance on how they should be considered. We would not necessarily object to any of those views, but simply would like clarification on the Board's intent with respect to the application of the principles.

We believe these questions about measurement of nonfinancial liabilities are particularly relevant considering the recent decision in FSP FAS 157-b to defer the effective date of Statement 157 for most nonfinancial assets and liabilities.

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We would be pleased to discuss our comments with the FASB staff. Please direct questions to Ben Neuhausen at 312-616-4661.

Very truly yours,
BDO Seidman, LLP