



October 12, 2009

Mr. Russell Golden  
Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
Norwalk, Connecticut 06856-5116

File Reference No. 1710-100

Dear Mr. Golden:

The Accounting Principles Committee of the Illinois CPA Society (Committee) appreciates the opportunity to provide our perspective on the proposed Accounting Standards Update, “Improving Disclosures about Fair Value Measurements.” The Committee is a voluntary group of CPAs from public practice, industry and education. Our comments represent the collective views of the Committee members and not the individual view of the members or the organizations with which they are affiliated. The organization and operating procedures of our Committee are outlined in Appendix A to this letter.

### **General Comments**

We agree with the objective of the proposed Accounting Standard Update (i.e., to improve disclosures concerning fair value measurements). We also commend the Board for adding a disclosure framework project to its agenda to make financial statement disclosures more effective, coordinated, and less redundant. In our opinion, most of the proposed disclosures will enhance the current disclosure requirements and provide additional useful information to users. However, we question whether preparers can effectively provide such information in interim financial statements in light of all the recent additions to quarterly reporting requirements and tight timeframes. Further, as discussed in more detail below, we believe that the costs of providing the proposed sensitivity analysis for Level 3 measurements far exceed the benefits. In this regard, we have significant concerns regarding the operability and auditability of the proposed guidance. Therefore, we recommend that the Board omit this requirement from the final Update.



## Responses to Questions

**Issue 1: With respect to the disclosure of the effect of changes in reasonably possible, significant, alternative inputs for Level 3 fair value measurements for each class of assets and liabilities (sometimes also referred to as sensitivity disclosures), the Board is seeking input from:**

- 1. Financial statement preparers about their operationality and costs**
- 2. IFRS financial statement preparers about the approach they plan to use to comply with a similar disclosure requirement in IFRS 7**
- 3. Financial statements users about their usefulness—more specifically, a discussion of how they would benefit from, and use, such disclosures**

As noted above, we believe the costs of preparing the Level 3 sensitivity disclosures will far exceed their benefits. As proposed under 820-10-50-2(f), an entity would first have to determine the significant unobservable inputs to the measurement, determine the reasonably possible alternatives to the inputs and then re-perform the valuation to determine if the change increases or decreases the fair value by a significant amount. We understand that Level 3 inputs often are tracked manually and the process could be difficult to implement. Further, “reasonably possible” covers a broad range of possibilities. We are concerned that for many Level 3 measurements there will be a large number of reasonably possible alternative inputs that could significantly impact the fair value measurement. This could lead to lengthy disclosures of a wide range of outcomes, especially in those situations where multiple valuation techniques are used to determine fair value. This is highlighted by the length of the illustrative disclosure provided in paragraph 7 for just one Level 3 measurement.

Last, the volume of disclosures could actually end up masking the fact that the measurement is based on more subjective, and less reliable inputs. Since Level 3 disclosures by their very nature are the least reliable of the measurements under the fair value hierarchy, the benefits of this voluminous additional disclosure would not justify the additional preparation costs. Further, it is often difficult and costly to audit management estimates.

**Issue 2: With respect to the reconciliation (sometimes referred to as a roll forward) of fair values using significant unobservable inputs (Level 3), the amendments in this proposed Update would require separate disclosure of purchases, sales, issuances, and settlements during the reporting period. Is this proposed requirement operational? If not, why?**

We do not believe entities will encounter operational difficulties in providing such information.



**Issue 3: Is the proposed effective date operational? In particular:**

- 1. Will entities be able to provide information about the effect of reasonably possible alternative inputs for level 3 fair value measurements for interim reporting periods ending after March 15, 2010?**
- 2. Are there any reasons why the Board should provide a different effective date for nonpublic companies?**

Except as discussed in the next paragraph, we believe the effective date should be delayed until periods ended after June 15, 2010. Based on the expected timing of a final ASU, we do not believe entities will have sufficient time to prepare the proposed disclosures. This is especially true for those entities that engage outside valuation specialists

We do not agree with the FASB proposal to require public or nonpublic entities to provide a sensitivity analysis for Level 3 fair value measurements. If the Board decides to go forward with its proposal, however, we believe the effective date for these disclosures should be delayed until periods ending after December 15, 2010. We urge the Board to work closely with the PCAOB and AICPA to ensure that appropriate auditing standards can be developed before requiring any expanded sensitivity disclosures.

We appreciate the opportunity to offer our comments.

Sincerely,

**Reva Steinberg, CPA**

Chair, Accounting Principles Committee



APPENDIX A  
ILLINOIS CPA SOCIETY  
ACCOUNTING PRINCIPLES COMMITTEE  
ORGANIZATION AND OPERATING PROCEDURES  
2009-2010

The Accounting Principles Committee of the Illinois CPA Society (Committee) is composed of the following technically qualified, experienced members appointed from industry, education and public accounting. These members have Committee service ranging from newly appointed to more than 20 years. The Committee is an appointed senior technical committee of the Society and has been delegated the authority to issue written positions representing the Society on matters regarding the setting of accounting standards. The Committee's comments reflect solely the views of the Committee, and do not purport to represent the views of their business affiliations.

The Committee usually operates by assigning Subcommittees of its members to study and discuss fully exposure documents proposing additions to or revisions of accounting standards. The Subcommittee ordinarily develops a proposed response that is considered, discussed and voted on by the full Committee. Support by the full Committee then results in the issuance of a formal response, which at times, includes a minority viewpoint.

Current members of the Committee and their business affiliations are as follows:

**Public Accounting Firms:**

**Large:** (national & regional)

John A. Hepp, CPA	Grant Thornton LLP
Alvin W. Herbert, Jr., CPA	Retired/Clifton Gunderson LLP
Matthew G. Mitzen, CPA	Blackman Kallick LLP
Reva B. Steinberg, CPA	BDO Seidman LLP
Jeffery P. Watson, CPA	Blackman Kallick LLP

**Medium:** (more than 40 employees)

Barbara Dennison, CPA	Selden Fox, Ltd.
Marvin A. Gordon, CPA	Frost, Ruttenberg & Rothblatt, P.C.
Ronald R. Knakmuhs, CPA	Miller, Cooper & Co. Ltd.
Gary W. Mills, CPA	Frost, Ruttenberg & Rothblatt, P.C.
Kathleen A. Musial, CPA	BIK & Co, LLP

**Industry:**

John M. Becerril, CPA	Cabot Microelectronics
James B. Lindsey, CPA	TTX Company
Michael J. Maffei, CPA	GATX Corp.
Laura T. Naddy, CPA	Gaming Capital Group
Anthony Peters, CPA	McDonald's Corporation

**Educators:**

James L. Fuehrmeyer, Jr. CPA	University of Notre Dame
David L. Senteney, CPA	Ohio University
Leonard C. Soffer, CPA	University of Chicago

**Staff Representative:**

Paul E. Pierson, CPA	Illinois CPA Society
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