

September 3, 2010

To: Technical Director
Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, Connecticut 06856-5116

Via Email: director@fasb.org

From: Tim Chatting

Re: File Reference No. 1830-100
Proposed Accounting Standards Update: Fair Value Measurements and Disclosures (Topic 820)

I thank you for the opportunity to respond to the FASB exposure draft on fair value measurements and disclosures. I am a preparer of disclosures for a public company in the technology industry. The following comments are solely my opinion and are not necessarily those of my employer.

I appreciate the efforts being taken by the FASB and IASB to converge accounting and disclosure requirements. In general, I agree with the proposed amendments related to fair value measurement but I disagree with the additional disclosures required under the exposure draft.

Question 2: The Board has decided to specify that the concepts of highest and best use and valuation premise are only to be applied when measuring the fair value of nonfinancial assets. Are there situations in which those concepts could be applied to financial assets or to liabilities? If so, please describe those situations.

Response to Question 2: No, I agree with the proposal. In my personal experience, these concepts have been applied only to fair value measurements of nonfinancial assets.

Question 5: The Board has decided to clarify the meaning of a blockage factor and to prohibit the use of a blockage factor when fair value is measured using a quoted price for an asset or a liability (or similar assets or liabilities). Do you think that proposal is appropriate? If not, why not?

Response to Question 5: Yes, I think the proposal is appropriate. In my opinion, the application of a blockage factor is based on an entity-specific assumption rather than a market participant assumption.

Question 7: The Board has decided to require a reporting entity to disclose a measurement uncertainty analysis that takes into account the effect of correlation between unobservable inputs for recurring fair value measurements categorized within Level 3 of the fair value hierarchy unless another Topic specifies that such a disclosure is not required for a particular asset or liability. Do you think that proposal is appropriate? If not, why not?

Response to Question 7: No, I do not think the proposal to require the disclosure of measurement uncertainty analysis is appropriate. This is not practical. I understand that fair value is the topic of the day, but there are inherent limitations in financial reporting beyond those of fair value, all of which can't be addressed through the addition of detailed, quantitative disclosure requirements. Annual reports are already too lengthy and overly complex based upon, what I perceive to be, the needs of most users. I understand the need for disclosure in areas involving judgment, but imagine the burden on the preparer if disclosure of quantitative "what if" analyses were required in all instances where judgments and estimates are significant to the financial statements.

Under existing guidance of Topic 820, the assignment of a fair value measurement to Level 3 within the fair value hierarchy notifies the reader that the valuation was performed using unobservable inputs and is subjective in nature. Existing disclosures under Topic 820 regarding significant inputs and assumptions should highlight the degree of judgment required in a Level 3 measurement. I believe the additional disclosures proposed in the exposure draft are

excessive compared to other areas of accounting involving judgments and estimates and would provide little incremental benefit to the reader at a high cost to the preparer.

I am also concerned about whether or not the proposed measurement uncertainty analysis is operational for Level 3 fair value measurements performed using a market approach. For example, a fair value measurement based on a price quote that is indicative in nature and not corroborated with observable market data would be a Level 3 measurement based on my interpretation of Topic 820. How would one assess measurement uncertainty for this type of Level 3 measurement? Please provide clarification on this matter as it seems the proposed measurement uncertainty analysis is more applicable to the income approach than the market approach. Furthermore, please consider the increased difficulty for reporting entities that use third party pricing services in valuing debt and equity securities, such as non-financial entities with fewer devoted resources and less expertise in such matters.

Question 8: Are there alternative disclosures to the proposed measurement uncertainty analysis that you believe might provide users of financial statements with information about the measurement uncertainty inherent in fair value measurements categorized within Level 3 of the fair value hierarchy that the Board should consider instead? If so, please provide a description of those disclosures and the reasons why you think that information would be more useful and more cost-beneficial.

Response to Question 8: If it is determined that additional disclosures regarding measurement uncertainty are warranted please consider exploring one of the following alternatives:

- A) Raise the threshold for requiring the proposed measurement uncertainty disclosures, such as requiring the disclosures only when the uncertainty inherent in the Level 3 measurements presents a potentially severe impact to the financial statements.
- B) Explore the possibility of adding a level (Level 4) to the fair value hierarchy to distinguish between fair value measurements based on unobservable inputs and fair value measurements based on unobservable inputs where measurement uncertainty is severe. In my opinion, less quantitative analysis would likely be required under such an approach. This is also consistent with the top part of the hierarchy where there are two levels of fair value measurements based on observable data.
- C) Incorporate language into Topic 820 similar to ASC 275-10-50-9 encouraging the discussion of the factors that cause the measurement to be sensitive to change. Such disclosure could require less quantitative analysis than the proposed guidance but, at the same time, provide the reader more insight regarding the risks associated with these fair value measurements.

Also, on a slightly different note, please reconsider the proposed requirement to categorize within the hierarchy the disclosed fair value measurement of items not reported on the balance sheet at fair value. Alternatively, please consider a softer requirement to simply disclose when those measurements fall under Level 3 in the fair value hierarchy. In my opinion, distinguishing between Level 1 and Level 2 and the determination of whether or not an active market exists would provide little benefit for items not reported on the balance sheet at fair value.

Question 9: The Board has decided to require limited retrospective transition. Do you think that proposal is appropriate? If not, why not?

Response to Question 9: Yes, I believe the proposed transition method is appropriate.

Question 12: How much time do you think constituents would need to prepare for and implement the amendments in this proposed Update?

Response to Question 12: Implementation efforts could be significant for the measurement uncertainty disclosures. I believe the transition date should coincide with the date that will be established for the financial instruments project, which will likely require greater effort. Aligning the effective dates of the two projects may afford some entities the opportunity to modify overlapping processes in a single instance.

In closing, from a preparer's point of view, the balancing act of addressing the large number of specific disclosure requirements without overwhelming the reader is becoming increasingly challenging. While this statement applies

to all disclosure requirements, the proposed fair value disclosures are an example of the seemingly, constant increase in minimum disclosure requirements included in accounting standards updates. Because of this, I look forward to seeing the output of the FASB's disclosure framework project. My hope is that the project will assist preparers in writing more concise and meaningful disclosures without risking noncompliance, perhaps even by replacing some of the minimum disclosure requirements with fully developed, but less specific, disclosure objectives and principles. Thank you again for the opportunity to comment.

Regards,
Tim Chatting, CPA