



International Association of Consultants, Valuators and Analysts

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20 September 2010

Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, Connecticut 06856-5116

Ladies and Gentlemen,

This letter of comment is submitted on behalf of the International Association of Consultants, Valuators and Analysts (IACVA), a member of the International Valuation Standards Council (IVSC) and the World Association of Valuation Organizations (WAVO). We are a knowledge transfer and credentialing organization with Charters, issued or pending, in China, Germany, Ghana, India, Indonesia, Mexico, Middle East, Nigeria, Philippines, Russia, South Korea, Taiwan, Thailand, the United States and Vietnam. We have nearly 8,000 members, who are mainly involved in business valuation and fraud deterrence.

As a worldwide organization, our members are extremely concerned with the development of the valuation provision in International Financial Reporting Standards (IFRS), as well as Generally Accepted Accounting Principles in the United States (GAAP). They are especially worried by the trend in the convergence activities that seems to result in IFRS moving towards GAAP rather than the process correcting the many practical deficiencies and complexities of the recent codification, especially its excessive rules.

We appreciate the opportunity to comment on the Exposure Draft "*Disclosure of Certain Loss Contingencies*". Our observations are as follows:

Question 1: Are the proposed disclosures operational? If not, please explain why.

In our view, the proposal disclosures are, in general, operative. In particular:

450-20-25-2

Recognition criteria are satisfactory. Subsection (b) should be changed to "probable" rather than "potential magnitude" as this is what matters to investors and valuers. In a \$50 million legal claim, that is, the potential liability is the amount, while the probable amount is usually under \$5 million.

450-20-50-1D

In our view, remote loss contingencies normally should not be disclosed unless their probable rather than potential loss is material. Management and counsel's views should also be included in the criteria for this guidance.

450-20-50-1F

While the objective of the disclosure requirements is desirable, the volume of information requested suggests overkill. In particular, there is no specific exemption from disclosing prejudicial information that could be of use to an entity's opposition. We suggest that disclosures be limited to facts supplied to the other side in the discovery process.

450-20-50-1F(a)

In addition, from an operational point of view, we believe that the following statement should be modified in subsection (a), The term “reserve” shall not be used for an accrual made in accordance with paragraph 450-20-25-2; that term is limited to an amount of unidentified or unsegregated assets held or retained for a specific purpose”.

We are not aware of any other term, except perhaps provision, that is generally accepted for the unidentified or un-segregated amounts to be set off against unknown potential liabilities that statistically are likely to arise. Such deductions are basic to the concept of conservatism and the nature of solvency. Without such information, a number of valuers will have to estimate the potential liability and adjust reported profits for it.

450-20-50-1F(e)

Again we are concerned by the predominance given to example item 2, to the possible (rather than the probable) loss.

450-50-55-1

Examples of all disclosure requirements should be supplied.

Question 2: Are the proposed disclosures auditable? If not, please explain why.

In our view, it is difficult, if not impossible, to audit the disclosures relating to contingencies required to be supplied for topic 450 as most of them are merely managements' best guess. Only quotes from documents are auditable.

Question 3: The June 2008 FASB Exposure Draft, Disclosure of Certain Loss Contingencies, had proposed certain disclosures based on management's predictions about a contingency's resolution. The amendments in this proposed Update would eliminate those disclosure requirements such as estimating when a loss contingency would be resolved and the entity's maximum exposure to loss. Do you agree that an explicit exemption from disclosing information that is "prejudicial" to the reporting entity is not necessary because the amendments in this proposed Update would: a. Not require any new disclosures based on management's predictions about a contingency's resolution b. Generally focus on information that is publicly available c. Relate to amounts already accrued in the financial statements d. Permit information to be presented on an aggregated basis with other similar loss contingencies? If not, please explain why.

In our view, as mentioned previously, it is essential to include in litigation disclosure, a specific exemption relating to prejudicial information and limit the material to items already “discovered” by the other side.

Question 4: Is the proposed effective date operational? If not, please explain why.

We believe that the amount of disclosure required is such that it would involve undue time and effort to apply them to fiscal year ending in 2011. We suggest a postponement to fiscal year beginning after 15 February 2011.

Question 5: *Do you believe that the proposed disclosures will enhance and improve the information provided to financial statement users about the nature, potential magnitude, and potential timing (if known) of loss contingencies?*

We acknowledge that the proposed disclosures give users of financial statements much more information but are not convinced that it increases their knowledge of how such contingencies are likely to affect the operations of the business.

Question 6: *Do you agree that nonpublic entities should be exempt from the tabular reconciliation disclosures required in the amendments in this proposed Update? If not, please explain why. Are there any other aspects of the amendments that should be applied differently to nonpublic entities? If so, please identify and explain why.*

With respect to non-public entities, we are not convinced that any change in the current disclosures are necessary.

Question 7: *The amendments in this proposed Update would defer the effective date for nonpublic entities for one year. Do you agree with the proposed deferral? If not, please explain why.*

See answer to question 6.

Question 8: *Do you believe that the proposed and existing XBRL elements are sufficient to meet the Securities and Exchange Commission's requirements to provide financial statement information in the XBRL interactive data format? If not, please explain why.*

We do not have enough information to consider the XBRL taxonomy.

Should you wish to discuss this matter further, a member of your staff may contact the writer in Toronto, at 416 865 9766.

Yours very truly,



James P. Catty, MA, CA•CBV, CPA/ABV, CVA, CFA, CFE
Chair