



LETTER OF COMMENT NO.

134

To: Adrian Mills; Diane Inzano; Joseph Vernuccio; Kevin Stoklosa; Kristofer Anderson; Mark Trench; Meghan Clark; Peter Proestakes; Russell Golden; Vita Martin; Wade Fanning

Subject: FW: Proposed FSP FAS 115-a, FAS 124-a, and EITF 99-20-b

From: Don Lueger [mailto:dlueger@communitynationalbank.net]

Sent: Monday, March 30, 2009 4:24 PM

To: Director - FASB

Subject: Proposed FSP FAS 115-a, FAS 124-a, and EITF 99-20-b

Historical cost is more reliable than fair value.

In my opinion, mark-to-market and fair-value accounting (which rely heavily on subjective calls - i.e. guesses and opinions) have contributed to some of the problems our economy has experienced in the last six plus months.

The May 2008 issue of the Journal of Accountancy carried an informative article 'The Role of Fair Value Accounting in the Subprime Mortgage Meltdown' which gave different perspectives on these issues. Having worked in both the accounting profession and private business, I can best relate to Eugene Flegm's perspective. I believe the significant reliance on measuring the changes between two balance sheets based on a fair value basis is shifting the determination of income from the income statement to the balance sheet. For me, I look at both the income statement and the balance sheet, but income, cash flow, etc. is still where it is at.

Fair-value accounting is contributing to the investment banking industry's practices of basically 'betting' on who the winners and losers are going to be. An example of one of their tools - credit-default swaps. If I may quote from the above referenced article: "Return to establishing standards that are based on costs and transactions, that inhibit rather than encourage manipulation of earnings..." and "The analysts and other investors and creditors will have to do their own estimates of a company's future success. However, the success of any company will depend on the quality of its products and services and the skill of its management, not on a guess at the 'value' of its assets."

Don Lueger

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