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Comptroller General
of the United States

United States Government Accountability Office
Washington, DC 20548

April 16, 2007

Mr. Robert H. Herz, Chairman
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

File Reference No. 1520-100

Subject: Financial Accounting Standards Board's (FASB) *Invitation to Comment: Valuation Guidance for Financial Reporting*

This letter provides the U.S. Government Accountability Office's (GAO) comments on the FASB's *Invitation to Comment: Valuation Guidance for Financial Reporting*

The FASB staff has requested input on establishing valuation guidance for financial reporting purposes. We believe that standards, such as Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*, provide sufficient valuation guidance for these purposes. Rather than issuing additional detailed implementation guidance, we believe that the accountability profession will be best served by allowing flexibility in selecting the appropriate valuation methodology or approach to address the facts and situations that reporting entities encounter within the broad requirements of SFAS 157 and the relevant qualitative characteristics set forth in Statement of Financial Accounting Concepts No. 2, *Qualitative Characteristics of Accounting Information*, such as neutrality, conservatism, consistency, reliability, and verifiability.

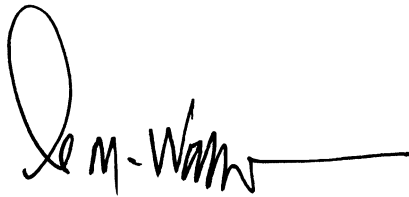
However, if the FASB determines that implementation guidance is needed, then we believe that the best approach would be for the FASB to (1) develop broad conceptual guidance rather than detailed implementation guidance and (2) lead in developing and issuing such guidance by using a collaborative approach rather than by selecting a single organization. The collaborative approach that likely would be most successful in developing broad conceptual guidance would be forming a resource group of valuation professionals and other interested parties to assist the FASB, as discussed in paragraphs 16b and 18 of the *Invitation to Comment*. As an alternative, forming an organization structured similar to the FASB's Emerging Issues Task Force (EITF) that would include representatives from all interested parties, including FASB Board members, preparers, existing appraisal organizations, auditors, regulators, and investors, as discussed in paragraphs 16c and 19 of the *Invitation to Comment*, would be another useful approach.

We support steps taken in recent years by the FASB and the International Accounting Standards Board (IASB) to converge their respective accounting standards, and we believe that future U.S. valuation guidance for financial reporting should be consistent with any related international guidance to the extent practical. A common framework will enhance the understanding and usefulness of financial information for preparers, auditors, and users both in the United States and globally.

In addition to being useful and relevant to both the financial reporting standard-setting community and to preparers of financial reporting information, valuation requirements and any related guidance for financial reporting can have a significant impact on auditing and reporting information. Consequently, we believe that the FASB and the IASB should specifically consider verifiability and auditability when developing the related financial accounting and reporting standards and guidance, particularly those standards addressing issues that involve significant management judgments, such as fair value. In doing this, we believe it would be most useful for the FASB and the IASB to consult with those who develop financial auditing standards, such as the Public Company Accounting Oversight Board, the International Auditing and Assurance Standards Board, the Auditing Standards Board of the AICPA, and the GAO.

We thank you for considering our comments on this important document.

Sincerely yours,

A handwritten signature in black ink, appearing to read "D. M. Walker", with a long horizontal line extending to the right.

David M. Walker
Comptroller General
of the United States

cc: Sir David Tweedie, Chairman
International Accounting Standards Board

The Honorable Mark W. Olson, Chairman
Public Company Accounting Oversight Board

Mr. James M. Sylph, Technical Director
International Auditing and Assurance Standards Board

Mr. Harold Monk, Chair
Auditing Standards Board