February 26, 2016

Ms. Susan M. Cosper
Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

By e-mail: director@fasb.org

**Re: Proposed Accounting Standards Update—*Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement***

**(File Reference No. 2015-350)**

Dear Ms. Cosper:

The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 28,000 CPAs in public practice, business, government and education, welcomes the opportunity to comment on the above captioned exposure draft.

The NYSSCPA's Financial Accounting Standards Committee deliberated the proposed accounting standards update and prepared the attached comments. If you would like additional discussion with us, please contact Craig T. Goodman, Chair of the Financial Accounting Standards Committee at (212) 303-1058, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

N Y S S C P A
N Y S S C P A

Joseph M. Falbo, Jr.
President

Attachment

**NEW YORK STATE SOCIETY OF**

**CERTIFIED PUBLIC ACCOUNTANTS**

**COMMENTS ON**

**PROPOSED ACCOUNTING STANDARDS UPDATE—*FAIR VALUE MEASUREMENT (TOPIC 820): DISCLOSURE FRAMEWORK—CHANGES TO THE DISCLOSURE REQUIREMENTS FOR FAIR VALUE MEASUREMENT***

**(File Reference No. 2015-350)**

**February 26, 2016**


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## NYSSCPA 2015 – 2016 Board of Directors



## NYSSCPA 2015 – 2016 Accounting & Auditing Oversight Committee



## NYSSCPA 2015 – 2016 Financial Accounting Standards Committee



## NYSSCPA Staff

## New York State Society of Certified Public Accountants

**Comments on**

**Proposed Accounting Standards Update— *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement***

**(File Reference No. 2015-350)**

### General Comments

We welcome the opportunity to respond to the Financial Accounting Standards Board's (FASB or the Board) invitation to comment on the Proposed Accounting Standards Update – *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* (proposed Update).

We are pleased to see the FASB making progress in reducing the complexity, cost and time necessary for private companies to comply with accounting principles. We are generally supportive of the proposed Update. However, there were some differing viewpoints among some of the members of our drafting committee, including those who believe that certain private companies, specifically investment companies (as defined by Topic 946) that invest primarily in Level 3 investments (*i.e.*, private equity funds as described in the AAG-Investment Companies, paragraph 1.26), should not receive the same exemptions as all other private companies. This was a view shared by those on the committee who are involved in the investment community, and we believe that other investment companies whose primary focus is not Level 3 investments (*i.e.*, hedge funds) should be included in the scope of the proposed exemptions. We suggest that the Board consider addressing this issue within the investment company industry specific guidance in Topic 946-820.

### Specific Comments

We have the following responses to questions posed in the Update and suggestions for the FASB's consideration:

**Question 1: Would the proposed amendments result in more effective, decision-useful information about fair value measurements? If not, please explain why. Would the proposed amendments result in the elimination of decision-useful information about fair value measurements? If yes, please explain why.**

**Response:** Yes, we believe that the proposed amendments would result in more effective, decision-useful information about fair value measurements. More specifically, we believe that, with the exception of the disaggregation of Level 3 transfers (covered in our responses to Questions #2 and #3 below), the proposed amendment is decision-useful for users of financial statements. Further, we do not believe that the proposed amendment will result in the elimination of decision-useful information about fair value measurements.

**Question 2: Are the proposed disclosure requirements operable and auditable? If not, which aspects pose operability or auditability issues and why?**

**Response:** Yes, we believe that the proposed disclosure requirements are operable and auditable with the exception of the proposed requirement to disclose the timeframe in which the Level 3 inputs initially required by ASU 2011-4 were developed. Our primary concern over operability of the timeframe disclosure relates to an entity's ability to retrieve its historical valuation methodology information for an investment that has been held for an extended period of time (*e.g.*, several years). We also question the usefulness of this disclosure requirement because if the inputs were developed in a previous reporting period and re-evaluated and re-confirmed in the current reporting period, an entity could continually disclose the current year as the period in which the inputs were developed. Should the final ASU retain this requirement, we suggest offering a lead time on the proposed amendment for this required disclosure so that it is not effective immediately (see our response to Question #9 below).

We also believe that the addition of a requirement to provide disaggregated information by level of the fair value hierarchy for items included in comprehensive income (820-10-50-2-d) does not add any decision-useful information from a cost/benefit perspective. Consequently, we believe that such a requirement should be eliminated from the final ASU. The addition of this requirement runs counter to the Board's simplification initiatives.

**Question 3: Would any of the proposed disclosures impose significant incremental costs? If so, please describe the nature and extent of the additional costs.**

**Response:** Yes, some or all of the proposed disclosures could impose significant incremental costs. As alluded to in our response to Question #2, we believe the operable difficulty regarding the disclosure of the time period(s) in which Level 3 inputs were developed would have a direct relationship to the incremental costs of preparing such a disclosure.

Additionally, we believe that for smaller publically held companies the incremental costs to disaggregate Level 3 transfers may not be justified from a cost/benefit perspective. Further, we believe that many such entities may have insufficient resources to easily implement this requirement of the proposed amendment.

**Question 4A: The proposed amendments would apply to all entities, except for certain requirements in paragraph 820-10-50-2(bbb) through (d), for which private companies would be exempt. Do you agree with the exemption for private companies? If not, please describe why and which disclosures should be required for private companies.**

**Response:** Yes, we agree with exemption for private companies.

**Question 4B: Should entities other than public business entities (for example, employee benefit plans and not-for-profit organizations) also be exempt from the proposed**

**amendments mentioned in Question 4A? If yes, please describe why and which disclosures they should be exempt from.**

**Response:** Yes, entities other than public business entities should also be exempt from the proposed amendments mentioned in Question 4A as follows:

1) Employee Benefit Plans ("EBPs"): In our experience, investment related activity of EBPs operate and are audited similar to private investment companies and should share the same exemptions.
2) Not-For-Profit Organizations ("NPOs"): We believe that most NPOs have a level of resources more consistent with that of a private company and we believe they should share the same exemptions. Further, we do not believe that this information provides any more decision-useful information for NPOs than it does for private companies.
3) Conduit Bond Obligors ("CBOs"): Many smaller for-profit and NPO entities, such as nursing homes, independent schools, and acute care clinics, are parties to conduit bonds (*i.e.*, issued by entities such as Dormitory Authority) which, while tradable, are frequently held by a limited number of institutional and sophisticated investors. Because the disclosure requirements for CBOs are the same as publicly traded companies and such bonds are infrequently traded, we question the cost/benefit of requiring CBOs to follow the same disclosure requirements of that of a public company. Further, we believe that a CBO is most interested in available cash flows to service the debt and not with the additional fair value disclosures required by the proposed amendment.

**Question 5: The proposed amendments to paragraph 820-10-50-2(bbb) require that a reporting entity disclose the weighted average of significant unobservable inputs used in Level 3 fair value measurements. Are there classes of financial instruments for which this disclosure is inoperable or does not provide meaningful information? If yes, please describe those classes of financial instruments and explain why.**

**Response:** Given that the determination of a significant unobservable input can greatly vary based upon facts that are not required to be disclosed (*i.e.*, relative size of the underlying asset, regardless of reporting entities value of that asset), we question the overall requirement to disclose the weighted average as it could seriously mislead users of the financial statements because such users have no real basis to determine which asset is causing the weighting in any range. Therefore, we believe the weighted average requirement does not provide meaningful information for any class of financial instruments.

**Question 6: The proposed amendments to paragraph 820-10-50-2(bbb) require that a reporting entity disclose the time period used to develop significant unobservable inputs. What would be the costs associated with including this disclosure? Would this disclosure provide more effective, decision-useful information?**

**Response:** Please refer to our responses to Questions 2 and Question 3 above. We believe that the incremental cost of implementing a final ASU could be significant especially if an asset were acquired a significant amount of time prior to the current reporting period. We suggest that, given that fair value estimates are made on a recurring basis, an entity could continually assess the period for determining the inputs to be the current period, and, as a result, the disclosure could result in misleading information for users rather than more effective and decision-useful information.

**Question 7: Are there any other disclosures that should be required by Topic 820 on the basis of the proposed Concepts Statement or for other reasons? Please explain why.**

**Response:** No, as our disagreements with the proposed amendment generally focus on removing certain requirements proposed in the ASU, we do not believe that any additional disclosures are required.

**Question 8: Are there any other disclosure requirements retained following the review of Topic 820 that should be removed on the basis of the proposed Concepts Statement or for other reasons? Please explain why.**

**Response:** Yes, we believe that the requirement for disclosing transfers in/out of Level 3 for private companies should be removed.

**Question 9: How much time would be needed to implement the proposed amendments? Should the amount of time needed to implement the proposed amendments by nonpublic business entities be different from the amount of time needed by public business entities? Should early adoption be permitted? If yes to either question, please explain why.**

**Response:** We believe that public entities should receive at least a one year lead time following issuance of the final Update with the effective date being at the beginning of the period; nonpublic business entities should receive an additional year. Further, as explained above, should the proposed requirement to disclose the period in which significant unobservable inputs were developed be included in the final Update, we believe that particular requirement should have a delayed implementation date by an additional year. We believe the Update should be implemented prospectively with retrospective application and early adoption permitted.