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*Accounting Policy & Practice Report: News Archive
2013
Latest Developments
Accounting & Disclosure*

Fair Value

**FASB Parent to Review Fair Value
Measurement and Disclosure Standard**



NORWALK, Conn.—The Financial Accounting Foundation, the parent organization of the Financial Accounting Standards Board, has targeted accounting for fair value measurement and disclosures for its next post implementation review (PIR), although no date has yet been set, FASB Chairman Leslie Seidman said April 30.

Seidman's comments at FASB's Small Business Advisory Committee stemmed from a report made by Stephen Holmes, a committee member, who stated that private equity firms are facing substantial negative unintended consequences from implementing ASC 820, Fair Value Measurements and Disclosures.

Holmes, also General Partner at InterWest Partners, said the vast majority of users, auditors and preparers in the private equity world feel that the current system of measurement requirements under the fair value accounting requirements, is very seriously flawed.

"This is based on my real life experiences of the just completed audit season. Our collective problem is that an extremely large amount of time and money is now being spent and wasted and I'm talking about big increase...[from] just a year ago," Holmes said.

He stated that the measurement and disclosure requirements under the fair value accounting guidance have caused FASB to be talked about with disdain and derision.

BNA Snapshot

Key Developments: Private equity firms are complaining about implementing ASC 820, Fair Value Measurements and Disclosures.

Impact: FASB parent to look at Fair Value Measurement and Disclosures as its next post implementation review.

"I don't think it's FASB's fault, but I think it's FASB's responsibility to try to fix things."

**Stephen Holmes
FASB's Small Business Advisory
Committee member**

"I don't think it's FASB's fault, but I think it's FASB's responsibility to try to fix things," said Holmes.

Holmes also highlighted the perplexity felt by private equity users about some of the disclosures in audited financial statements including:

- questions regarding the complexity of the table in the footnotes showing movements in level 3 investments by security type;
- complexity of the table showing level 3 unobservable inputs and the ranges of values; and
- a financial highlight that incorrectly leads them to conclude the entity is violating the terms of the limited partnership agreement, as among the troubling issues.

Board Will Give Issue Serious Consideration

Seidman said that though the observations Holmes made were not new, it is apparent that in the private equity arena, it is "acute because it affects the whole balance sheet, whereas in other cases sometimes it's just an occasional impairment loss, etc."

She stated that the board needs to consider how to approach the issue "because we tried to address it in the goodwill impairment case—we're actually hearing that some auditors are not allowing for the qualitative approach to be used."

Seidman also stated that the board already has some preliminary findings from the business combinations PIR and the use of fair value is a prominent issue that has been identified.

"So rest assured that it will be given some very serious consideration, but I think we need to think about how to take this discussion to the next step because there may be a way to solve the problem through standard setting, but I have a feeling that that's only part of the solution.... It seems to me that there is also a very serious behavioral issue going on in the auditing profession and the valuation profession that we need to really take a hard look at," Seidman said.

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