

**Notice for Recipients
of This Proposed FASB Staff Position**

This proposed FASB Staff Position (FSP) would delay the effective date of FASB Statement No. 157, *Fair Value Measurements*, for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). This delay is intended to allow the Board and various constituents additional time to consider the effect of various implementation issues that have arisen, or that may arise, from the application of Statement 157.

The Board invites individuals and organizations to send written comments on all matters in this proposed FSP. Comments are requested from those who agree with the provisions of this proposed FSP as well as from those who do not. Comments are most helpful if they identify the issues to which they relate and clearly explain the issue or question. Those who disagree with provisions of this proposed FSP are asked to describe their suggested alternatives, supported by specific reasoning.

Responses must be received in writing by January 16, 2008. Earlier responses are encouraged. Interested parties should submit their comments by email to director@fasb.org, File Reference: Proposed FSP FAS 157-b. Those without email may send their comments to “Russell G. Golden, Director of Technical Application and Implementation Activities, FASB, 401 Merritt 7, PO Box 5116, Norwalk, CT 06856-5116, File Reference: Proposed FSP FAS 157-b.” Responses should not be sent by fax.

All comments received by the FASB are considered public information. Those comments will be posted to the FASB website and included as part of the project record with other project materials.

PROPOSED FASB STAFF POSITION

No. FAS 157-b

Title: Effective Date of FASB Statement No. 157

Comment Deadline: January 16, 2008

Objective

1. This FASB Staff Position (FSP) delays the effective date of FASB Statement No. 157, *Fair Value Measurements*, for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The delay is intended to allow the Board and constituents additional time to consider the effect of various implementation issues that have arisen, or that may arise, from the application of Statement 157.

Background

2. Statement 157 was issued on September 15, 2006, and, as issued, is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Early adoption was encouraged.

3. Statement 157 establishes a single definition of fair value and a framework for measuring fair value in generally accepted accounting principles (GAAP) that should result in increased consistency and comparability in fair value measurements. Statement 157 also expands disclosures about fair value measurements, improving the quality of information provided to users of financial statements. Many financial statement users have indicated that Statement 157 significantly improves the financial reporting of financial assets and financial liabilities and other items that are recognized or disclosed at fair value on a recurring basis.

4. However, some preparers and others observe that in many areas they are having difficulty resolving implementation issues related to nonfinancial assets and nonfinancial liabilities (a) that are acquired in a business combination or (b) in the determination of

impairment for nonfinancial assets and nonfinancial liabilities, because those fair value measurements rely on unobservable inputs. Accordingly, a partial deferral of the effective date of Statement 157 will allow for more time to resolve these issues without eliminating many of the Statement's improvements to financial reporting.

All paragraphs in this FSP have equal authority. Paragraphs in bold set out the main principles.

FASB Staff Position

Scope

5. **This FSP applies to nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in an entity's financial statements on a recurring basis (at least annually).**

6. This FSP does not apply to entities that have issued financial statements that include the adoption of Statement 157 in its entirety.

Amendment to Statement 157

7. **This FSP defers the effective date of Statement 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for items within the scope of this FSP.**

8. Examples of items to which the deferral would apply include, but are not limited to:

- a. Nonfinancial assets and nonfinancial liabilities initially measured at fair value in a business combination or other new basis event, but not measured at fair value in subsequent periods (nonrecurring fair value measurements)
- b. Reporting units measured at fair value in the first step of a goodwill impairment test as described in paragraph 19 of FASB Statement No. 142, *Goodwill and Other Intangible Assets* (measured at fair value on a recurring basis, but not necessarily recognized or disclosed in the financial statements at fair value)

- c. Nonfinancial assets and nonfinancial liabilities measured at fair value in the second step of a goodwill impairment test as described in paragraphs 20 and 21 of Statement 142 (measured at fair value on a nonrecurring basis to determine the amount of goodwill impairment, and not necessarily recognized or disclosed in the financial statements at fair value)
 - d. Indefinite-lived intangible assets measured at fair value for impairment assessment under Statement 142 (measured at fair value on a recurring basis, but not necessarily recognized or disclosed in the financial statements at fair value)
 - e. Long-lived assets (asset groups) measured at fair value for an impairment assessment under FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (nonrecurring fair value measurements)
 - f. Asset retirement obligations initially measured at fair value under FASB Statement No. 143, *Accounting for Asset Retirement Obligations* (nonrecurring fair value measurements)
 - g. Liabilities for exit or disposal activities initially measured at fair value under FASB Statement No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* (nonrecurring fair value measurements).
9. Examples of items to which the deferral would **not** apply include, but are not limited to:
- a. Items within the scope of paragraph 7 of FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, that are recognized or disclosed at fair value on a recurring basis
 - b. Financial and nonfinancial derivatives within the scope of FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*
 - c. Servicing assets and servicing liabilities within the scope of FASB Statement No. 156, *Accounting for Servicing of Financial Assets*, including situations in which an entity has elected the amortization method as the subsequent measurement attribute, because the fair value is required to be disclosed on a recurring basis
 - d. Loans measured for impairment using the practical expedient in FASB Statement No. 114, *Accounting by Creditors for Impairment of a Loan* (based on the fair value of collateral if the loan is collateral dependent), even if the underlying collateral is nonfinancial.

10. Statement 157 is amended as follows: [Added text is underlined.]
a. Paragraph 36:

Except as provided in the third sentence of this paragraph, ~~t~~This Statement shall be effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Earlier application is encouraged, provided that the reporting entity has not yet issued financial statements for that fiscal year, including any financial statements for an interim period within that fiscal year. Delayed application of this Statement is permitted for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), until fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. An entity that has applied the provisions of this Statement in interim or annual financial statements before issuance of FSP FAS 157-X, Effective Date of FASB Statement No. 157, must continue to apply all the provisions of this Statement.

Disclosure

11. Any entity that has not applied the provisions of Statement 157 in interim or annual financial statements shall disclose the following until that Statement is applied to all assets and liabilities:
- a. The fact that the entity has only partially adopted Statement 157
 - b. Each major category of assets and liabilities that are measured at fair value for which, in accordance with this FSP, the entity has not applied the provisions of Statement 157.

Effective Date and Transition

12. This FSP shall be effective upon issuance.
13. An entity is encouraged to early adopt Statement 157 for nonrecurring measurements made for nonfinancial assets and nonfinancial liabilities, provided that the entity has not yet issued financial statements for that fiscal year, including any financial statements for an interim period within that year. However, if an entity early adopts Statement 157, it must do so consistently for all items that are within the scope of this FSP.

The provisions of this FSP need not be applied to immaterial items.
