

RUSSELL G. GOLDEN  
Chairman

March 10, 2014

Mr. John Davidson  
Mr. W. Daniel Ebersole  
Co-Chairs, Standard-Setting Process Oversight Committee  
Financial Accounting Foundation  
401 Merritt 7  
Norwalk, CT 06856-5116

Dear Messrs. Davidson and Ebersole:

**Response of the Financial Accounting Standards Board**

The Financial Accounting Standards Board (FASB or the Board) is pleased to respond to the Financial Accounting Foundation's (the Foundation) *Post-Implementation Review (PIR) Report on FASB Statement No. 157, Fair Value Measurements*, dated February 2014 (the PIR Report).

The FASB continually strives to improve U.S. generally accepted accounting principles (U.S. GAAP). The Board believes that post-implementation reviews are an important feedback mechanism because they identify opportunities to improve the standards-setting process and provide insights into the effectiveness of our standards. The PIR process has provided the Board with important stakeholder feedback on the benefits and costs of Statement 157 in light of actual experience in using and preparing the information.

We are pleased that the Foundation's PIR team concluded that Statement 157 met its objectives, including providing a single definition of fair value, establishing a framework for measuring fair value, expanding disclosures about fair value measurement, and simplifying and codifying fair value measurement guidance in a way that is understandable and decision-useful to the majority of users. The PIR team also concluded that Statement 157 did not result in any unanticipated consequences and achieved its expected benefits. We believe that these findings validate the overall strength and integrity of the FASB's standards-setting process.

We recognize that the PIR team received conflicting or mixed feedback from stakeholders in some areas including the sufficiency and completeness of disclosures and the relevance of Statement 157 to certain types of entities. The feedback noted in the PIR Report in these areas is generally consistent with feedback the FASB received during the initial deliberation and was considered thoroughly by the Board in reaching the conclusions in the Statement. The feedback in this area is also generally consistent with input the Board has received since Statement 157 was issued.

Given the PIR Report concludes that Statement 157 was successful in achieving its objectives and that Statement 157 generally provides investors with decision-useful information, the FASB sees no need to undertake a comprehensive review of Statement 157. However, the FASB acknowledges the feedback summarized in the PIR Report that indicates some stakeholders find certain aspects of Statement 157 to be challenging. In considering this feedback, the FASB plans to conduct research and outreach with stakeholders in connection with in-process projects and initiatives, such as the Disclosure Framework Project, the simplification initiative research project, the research project on accounting issues in employee benefit plan financial statements, and the ongoing involvement of the Private Company Council (PCC) and Not-for-Profit Advisory Committee (NAC).

The Foundation's PIR team had two specific recommendations relating to efforts to summarize and document cost-benefit considerations and enhancements to user outreach and related documentation. We view both of these areas as critical to the strengthening of the credibility of our due process efforts, and we appreciate the recommendations.

After the issuance of Statement 157, the Board implemented significant process enhancements in both areas. Furthermore, the FASB continues to evaluate, consider, and implement ways to better document cost-benefit considerations and stakeholder outreach, consistent with the recommendation by the Foundation's PIR team. Thus, while the FASB has made significant progress in those areas since the issuance of Statement 157, they continue to be focus areas for continuous improvement.

On behalf of the FASB, I thank the Foundation for undertaking this important process and all of the stakeholders that provided input on Statement 157 for the benefit of those that use U.S. GAAP.

Sincerely,



Russell G. Golden

cc: FAF Board of Trustees, Teresa S. Polley, Kimberley R. Petrone

## **Appendix – Summary of Significant Standards-Setting Process Improvements Implemented after Statement 157**

- Formed the Investor Advisory Committee to provide the FASB with investor perspectives during the development of financial accounting and reporting standards.
- Hired a second Senior Investor Liaison to improve and expand investor outreach.
- Formed a Not-for-Profit Advisory Committee (NAC) to provide the FASB with perspectives from the not-for-profit sector during the development of financial accounting and reporting standards.
- Expanded staff and outreach associated with private companies. Since its formation in 2012, the FASB has worked with the Private Company Council to ensure that perspectives of private company stakeholders are considered in the standards-setting process.
- Fully implemented in 2013 a database to track outreach activities; developed standardized reporting to periodically evaluate the extent and sufficiency of project-specific outreach.
- In 2013, converted a research fellow position into a full-time research manager role; the objective of this role is to increase the use of empirical research about benefits and costs in standards setting.
- Developed an enhanced pre-agenda research process with a goal of more clearly identifying, before projects are added to the agenda, the nature and pervasiveness of reporting problems and the range of cost-effective solutions. Hired an Assistant Director in mid-2013 to more fully develop and implement the revised research effort.
- Developed toolkits and best practices to help the FASB consistently and cost-effectively gather evidence about the benefits and costs of alternative approaches.
- Re-emphasized and expanded requirements to formally discuss benefits and costs of proposed and final standards at a public Board meeting.
- In 2014, the FASB will finalize and implement improvements to our external communications about the benefits and costs of proposals and final standards.