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Technical Director  
File Reference No. EITF-14B  
FASB  
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January 15, 2015

**File Reference No. EITF-14B:**

Proposed Accounting Standards Update: Fair Value Measurement (Topic 820)  
Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)

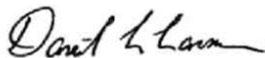
Dear Technical Director:

Duff & Phelps appreciates the opportunity to provide comments on the above referenced Exposure Draft.

Our valuation advice, particularly with regards to financial reporting, is sought by hundreds of global clients annually as we work with them in developing pragmatic solutions for applying fair value techniques.

We would be pleased to further discuss our comments with the FASB. Please direct any questions to me via the contact information set forth below.

Sincerely,



David Larsen

Managing Director

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DUFF & PHELPS

FASB

January 15, 2015

Comments on Proposed Accounting  
Standards Update: Fair Value  
Measurement (Topic 820)  
Disclosures for Investments in Certain  
Entities That Calculate Net Asset Value  
per Share (or Its Equivalent)

Comments on FASB Exposure Draft: Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)

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Comments on FASB Exposure Draft: Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)

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# General Observations

## General Observations

We fully support FASB's efforts to reduce disclosure requirements that do not provide decision-useful information. While on the surface the elimination of disclosing the input level for investments valued using Net Asset Value appears to reduce non-decision-useful information, it de-facto creates a new level in the valuation hierarchy.

Further, under current standards, when using an alternative valuation method to determine NAV such as an income approach (discounted cash flows), the inputs would most clearly be reported as Level 3, thus making the measurement Level 3 as well. Under the proposal, if the practical expedient was elected and the same investment was measured using NAV, it would be classified outside of the fair value hierarchy, notwithstanding the fact that Level 3 inputs were used. Thus, depending on whether the practical expedient is taken or not, the measurement for the exact same investment could appear either superior or inferior to the alternative, as it falls outside the fair value hierarchy.

# Responses to Questions

## Responses to Questions

**Question 1— Should investments for which fair values are measured at net asset value (or its equivalent) using the practical expedient be excluded from categorization within the fair value hierarchy? If not, why not and how should those investments be categorized?**

**D&P response:** We do not believe that assets valued using NAV should be excluded from the fair value hierarchy. Excluding such assets implicitly creates an additional "level", i.e., "Level 0" or "Level 4." To reconcile assets reported at fair value, those excluded from the hierarchy would still have to be included in the reconciliation and therefore, the implicit fourth level would be created.

We agree that the current rule-based determination of the level in the hierarchy, based on time to potential redemption, rather than on the observability of inputs used to determine value, is usually not decision-useful and results in divergence in practice. Therefore, rather than implicitly creating a fourth level in the hierarchy, it may be preferable to mandate that those assets whose fair value is determined using Net Asset Value (having determined that the underlying assets resulting in NAV are reported at fair value and are as of the same measurement date), are simply reported as Level 3 (if not actively traded). While this again would be an arbitrary rule, it would have the advantage of reducing divergence in practice and would not implicitly introduce a fourth level into the valuation hierarchy.

Further, we believe that whatever course of action FASB takes, it should be harmonized with soon-to-be issued GASB fair value guidance so that investors (i.e. a public pension plan and a corporate pension plan) would report consistently under GASB and FASB standards.

Comments on FASB Exposure Draft: Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)

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**Question 2— Should the scope of the disclosures required in paragraph 820-10-50-6A be limited to only investments measured at net asset value (or its equivalent) using the practical expedient rather than all investments that are eligible to be measured at net asset value (or its equivalent) using the practical expedient? If not, why not?**

**D&P response:** The question highlights the problem created by implicitly introducing a fourth level. NAV is not required to be used as the valuation technique to determine the fair value of a fund interest. If a preparer used a discounted cash flow model to determine the fair value of a fund interest, it would most clearly be based on unobservable inputs and would therefore be considered Level 3 under the existing framework. Just because NAV could be used, should the same fair value estimate using Level 3 inputs now be considered a fourth level? Introducing a fourth level (implicitly) likely will create the same level of confusion, or greater confusion, to the existing disclosure framework for assets which are or could be valued using NAV.

Therefore, the question cannot be reasonably answered. On one hand, it makes sense that all fund interests should be treated the same for disclosure purposes. However, if some fund interests are valued using clearly Level 3 inputs, it would not seem consistent to exclude them from Level 3 disclosures.

**Question 3 – Should any other disclosures be required for investments for which fair values are measured at net asset value (or its equivalent) using the practical expedient?**

**D&P response:** No. Current guidance provides sufficient disclosure requirements.

**Question 4 – Should the proposed amendments be applied retrospectively? If not, why not?**

**D&P response:** No. Generally, users of financial statements do not find the Level 2 or Level 3 designation for fund interests decision-useful. Therefore, providing retrospective information would not be necessary. Further, users would not find it useful to show retrospective information unless there is a restatement of the value

**Question 5 – How much time would be needed to implement the proposed amendments? Should early adoption be permitted?**

**D&P response:** No comment.