

February 19, 2016

Technical Director
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File Reference No. 2015-350

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

The Accounting Principles and Assurance Services Committee (the “Committee”) of the California Society of Certified Public Accountants (“CalCPA”) respectfully submits its comments on the referenced proposals. The Committee is the senior technical committee of CalCPA. CalCPA has approximately 43,000 members. The Committee consists of 57 members, of whom 43 percent are from local or regional CPA firms, 30 percent are from large multi-office CPA firms, 13 percent are sole practitioners in public practice, 9 percent are in academia and 5 percent are in international CPA firms. Members of the Committee are with CPA firms serving a large number of public and nonpublic business entities, as well as many non-business entities such as not-for-profits, pension plans and governmental organizations.

The Committee supports the amendments in the proposed Update. They improve the effectiveness of fair value disclosures mostly by eliminating information that is not particularly useful.

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.

The Committee agrees that the proposed amendments result in more effective, 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?

The Committee is not aware of any operability or auditability issues in the proposed disclosure requirements.

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

The Committee does not believe any of the proposed disclosures impose significant incremental costs.

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.

The Committee agrees with the exemption for private companies.

Is the correct terminology “private companies” or “nonpublic entities”? We note that paragraph 820-10-50-2F uses the term “nonpublic entity” while proposed paragraph 820-10-50-2G uses “private company” in what seems to be the same context. We are not aware that the term “private company” is defined in the Accounting Standards Codification; “nonpublic entity” is defined.

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.

The Committee believes entities other than public business entities (for example, employee benefit plans and not-for-profit organizations) should be exempt from all the proposed amendments mentioned in Question 4A. The information does not seem to be useful to users of financial statements for those entities.

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.

The Committee did not identify any classes of financial instruments for which disclosure of the weighted average of significant unobservable inputs used in Level 3 fair value measurements is inoperable or does not provide meaningful information. But the Committee will defer to other commentators who may have more information on this matter.

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?

The Committee does not believe there are any significant costs in disclosing the time period used to develop significant unobservable inputs. We will defer to other users as to whether this disclosure provides more effective, decision-useful information, but based on the discussion in paragraphs BC45 and 46, it seems that it does.

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.

The Committee is not aware of any other disclosures that should be required by Topic 820.

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.

The Committee is not aware of any other disclosures retained in Topic 820 that 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.

The Committee does not believe that a significant amount of time would be needed to implement the proposed amendments.

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We thank you for the opportunity to comment on this matter. We would be glad to discuss our opinions with you further should you have any questions or require additional information.

Sincerely,

A handwritten signature in black ink that reads "A.J. Major III". The signature is written in a cursive style with a large initial "A" and "J" followed by "Major" and "III" on a separate line.

A.J. Major III
Chair
Accounting Principles and Assurance Services Committee
California Society of Certified Public Accountants