



FLORIDA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

325 WEST COLLEGE AVENUE • P.O. BOX 5437 • TALLAHASSEE, FLORIDA 32314  
TELEPHONE (850) 224-2727 • FAX (850) 222-8190

May 5, 2006

*Via Email: ed.accounting@cica.ca*

Director, Accounting Standards  
Canadian Accounting Standards Board  
277 Wellington Street West  
Toronto, Ontario M5V 3H2 Canada

**Re: Discussion Paper – International Accounting Standards Board (IASB) –  
*Measurement Bases for Financial Accounting – Measurement on Initial  
Recognition***

Dear Director:

The Accounting Principles and Auditing Standards Committee (the “Committee”) of the Florida Institute of Certified Public Accountants (“FICPA”) reviews, discusses and comments upon exposure drafts of proposed standards and other documents promulgated by United States and international standard-setting bodies, including the International Accounting Standards Board (“IASB”). The Committee noted that the subject Discussion Paper had been placed on the IASB’s web site for review and considered this document at a Committee meeting.

As requested in the document, the Committee has addressed its response to the Canadian Accounting Standards Board. This response specifically addresses the nineteen questions raised in the beginning of the document.

Question 1: Do you agree that the list of identified possible measurement bases (see paragraphs 33-51 of the condensed version and paragraphs 69-74 of the main discussion paper) sets out the bases that should be considered? If not, please indicate and explain any changes that you would make.

Response: The Committee concludes that the list of possible identified measurement bases addressed in this discussion paper sets out the bases that should be considered. However, the Committee was unable to identify circumstances in which the concept of deprival value was relevant and recommends excluding this concept from the discussion paper.

Question 2: Do you agree with the working terms and definitions, and supporting interpretations, of each of the identified measurement bases (see paragraphs 33-51 of the condensed version and paragraphs 77-96 of the main discussion paper)? If not, please explain what changes you would make. In particular, do you have any comments on the term “fair value” and its definition (in light of the discussion in paragraphs 46-48 of the condensed version and paragraphs 88-93 of the main discussion paper)?

Response: The Committee concurs with the working terms and definitions and supporting interpretations of each of the measurement bases identified in this discussion paper. However, there were several members of the Committee who expressed discomfort with this concept, as valuation measurement was believed to be fairly subjective and subject to potential manipulation.

Question 3: Do you agree that these are the fundamental sources of differences between asset and liability measurement bases on initial recognition? If not, please indicate the fundamental sources of differences you have identified, and provide the basic reasons for your views. For any different fundamental sources you have identified, please indicate how these might be examined and tested.

Response: The Committee concurs with the proposed guidance addressed in the question.

Question 4(a): Do you believe that the paper has reasonably defined the market value objective and the essential properties of market value for financial statement measurement purposes (see paragraphs 54-56 and 105-112 of the condensed version and paragraphs 99-110 and 236-241 of the main discussion paper)? If not, please explain why not, and what changes you would propose, or different or additional considerations that you think need to be addressed.

Response: The Committee concurs with the proposed guidance associated with this question.

Question 4(b): Do you agree with the proposed definition of “market” (see paragraphs 55-56 of the condensed version and paragraphs 107-110 of the main discussion paper)? If not, please explain why you disagree, and indicate any changes you would make and any issues that you believe should be given additional consideration.

Response: The Committee concurs with the definition of market proposed by this discussion paper.

Question 4(c): Do you agree with the fair value measurement objective as proposed, and its derivation from the market value measurement objective (see paragraph 102 of the condensed version and paragraphs 111, 228 and 229 of the main discussion paper)?

Response: The Committee concurs with the proposed guidance associated with this question.

Question 5: Do you agree with the definition and discussion of entity-specific measurement objectives (see paragraph 57 of the condensed version and paragraphs 112-116 of the main discussion paper) and their relationship to management intentions (see paragraph 58 of the condensed version and paragraphs 117-121 of the main discussion paper)? If not, please explain why you disagree.

Response: The Committee concurs with definition of entity-specific measurement expectations proposed by the discussion paper.

Question 6: Do you agree with the comparison of market and entity-specific measurement objectives (see paragraph 59 of the condensed version and paragraph 122 of the main discussion paper) and with the proposed conclusion that the market value measurement objective has important qualities that make it more relevant than entity-specific measurement objectives for assets and liabilities on initial recognition (see paragraphs 60-61 of the condensed version and paragraphs 123-129 of the main discussion paper)? If not, please explain your views.

Response: The Committee concurs with the proposed guidance associated with this question.

Question 7(a): It is reasoned that there can be only one market (fair) value for an asset or liability on a measurement date (see paragraph 62 of the condensed version and paragraphs 131-138 of the main discussion paper). Do you agree with this conclusion? If not, please explain why you disagree.

Response: The Committee ultimately agrees with the proposed guidance associated with this question. However, the Committee noted that paragraphs 136 – 138 of the long version of this discussion paper appeared to contradict this question and recommends further clarification.

Question 7(b): It is proposed that differences between apparent market values for seemingly identical assets or liabilities on initial recognition may be attributable to: (i) differences between the value-affecting properties of assets or liabilities traded in different markets, or (ii) entity-specific charges or credits. (See paragraph 63 of the condensed version and paragraphs 131-138 of the main discussion paper.) However, the paper notes the existence of multiple markets for some assets and liabilities, and the possibility that they may be due to market access restrictions that require further investigation (see paragraphs 74-82 of the condensed version and paragraphs 95-109 of the main discussion paper). Do you agree with these proposals, within the caveats and discussion presented? If not, please explain why you disagree.

Response: The Committee concurs with the definition of market proposed by this discussion paper.

Question 8: Do you agree that a promise to pay has the same fair value on initial recognition whether it is an asset or a liability, and that the credit risk associated with a promise to pay enters into the determination of that fair value with the same effect whether it is an asset or liability (see paragraph 65 of the condensed version and paragraphs 142-147 of the main discussion paper)? If you do not agree, please explain the basis for your disagreement.

Response: The Committee concurs with the proposed guidance associated with this question.

Question 9(a): The appropriate individual item or portfolio unit of account on initial recognition is generally the unit of account in which the reporting entity has acquired the asset or incurred the liability (see paragraphs 67-70 of the condensed version and paragraphs 149-154 of the main discussion paper). Do you agree with these proposals within the caveats and discussion presented? If not, please explain why, and in what respects, you disagree.

Response: The Committee concurs with this definition, as proposed by this discussion paper.

Question 9(b): The appropriate level of aggregation for non-contractual assets on initial recognition is the lowest level of aggregation at which an identifiable asset is ready to contribute to the generation of future cash flows through its sale or use (see paragraphs 71-73 of the condensed version and paragraphs 157-161 of the main discussion paper). Do you agree with these proposals within the caveats and discussion presented? If not, please explain why, and in what respects, you disagree.

Response: The Committee concurs with the proposed guidance associated with this question and deemed it to be consistent with earlier proposals related to this question.

Question 10: Do you agree that the paper provides a reasonable analysis of market sources and their implications on initial recognition? If not, please provide reasons for disagreeing, and indicate any additional analysis or research you would think should be carried out.

Response: The Committee concurs with the proposed guidance associated with this question.

Question 11: Do you agree with the proposed definition of transaction costs? Do you agree with the conclusion that transaction costs, as defined, are not part of the fair value of an asset or liability on initial recognition? If you disagree, please explain your reasons and what you believe the implications of your different view would be for fair value measurement of assets and liabilities on initial recognition.

Response: The Committee ultimately agrees with the proposed guidance associated with this question. However, there was considerable discussion among the committee members associated with the following concerns:

- 1.) Several members of the Committee felt that there should be a differentiation made between the fair market value associated with selling an asset as opposed to using the asset to generate revenues to offset the cost of the asset over time.
- 2.) The Committee felt that there may be circumstances in which transaction costs should be included in the value of an asset or liability at the date of acquisition. Therefore, it is recommended that further clarification be provided to determine if transaction costs should be (a) expensed in the period incurred, (b) capitalized as part of the fair value of the asset or liability or (c) capitalized as a separately identifiable intangible asset.

Question 12: Do you agree with the proposal that, when more than one measurement basis achieves an acceptable level of reliability, the most relevant of these bases should be selected (see paragraph 89 of the condensed version and paragraph 202 of the main discussion paper)? If not, please explain why you disagree, and indicate how you would settle trade-offs between the relevance and reliability of alternative measurement bases.

Response: The Committee concurs with the proposed guidance associated with this question.

Question 13: Do you agree with the two proposed sources of limitations on measurement reliability — estimation uncertainty and economic indeterminacy — and supporting discussion (see paragraphs 90-100 of the condensed version and paragraphs 204-216 of the main discussion paper)? If not, please explain your view.

Response: The Committee concurs with the proposed guidance associated with this question. However, the Committee thought that the concept of “economic indeterminacy” included in the discussion paper was vague and requested examples of this concept in order to provide some clarification.

Question 14: Do you agree that fair value is the most relevant measure of assets and liabilities on initial recognition of assets and liabilities, and therefore should be used when it can be estimated with acceptable reliability (see analyses of fair value and alternative bases in chapter 7, and discussion of measurement date on initial recognition in paragraphs 179-180 of the condensed version and paragraphs 410-415 of the main discussion paper)? If not, please explain why.

Response: The Committee concurs with the proposed guidance associated with this question. However, the Committee does have some concerns regarding the timing differences associated with the issues identified in paragraph 180 of the condensed version of the discussion paper. In addition, the Committee concluded that fair value measurement was not relevant in all situations encountered in practice.

Question 15(a): Do you agree that fair value is not capable of reliable estimation in some common situations on initial recognition (see paragraph 104 of the condensed version and paragraphs 232-277 of the main discussion paper)? More specifically, do you agree that:  
(a) A single transaction exchange price should not be accepted to be equal to fair value unless there is persuasive evidence that it is (see paragraphs 106-114 of the condensed version and paragraphs 243-252 of the main discussion paper)?

Response: The Committee reluctantly concurs with the proposed guidance associated with this question. However, the Committee thought that additional guidance on the definition of “market” should be provided. In addition, several Committee members felt that the discussion paper should allow for other methods of valuation in unique circumstance.

Question 15(b): Do you agree that: (b) a measurement model or technique cannot be considered to achieve a reliable estimation of the fair value of an asset or liability when the estimate depends significantly on entity-specific expectations that cannot be demonstrated to be consistent with market expectations (see paragraphs 115-118 of the condensed version and paragraphs 263-268 of the main discussion paper)?

Response: The Committee concurs with the proposed guidance associated with this portion of the question.

Question 16(a): Do you agree with the paper’s analyses and conclusions with respect to the comparative relevance and reliability of historical cost (see paragraphs 120-137 of the condensed version and paragraphs 281-319 of the main discussion paper)?

Response: The Committee concurs with the proposed guidance associated with this portion of the question.

Question 16(b): Do you agree with the paper’s analyses and conclusions with respect to the comparative relevance and reliability of current cost — reproduction cost and replacement cost (see paragraphs 138-154 of the condensed version and paragraphs 320-361 of the main discussion paper)?

Response: The Committee concurs with the proposed guidance associated with this portion of the question.

Question 16(c): Do you agree with the paper's analyses and conclusions with respect to the comparative relevance and reliability of net realizable value (see paragraphs 155-161 of the condensed version and paragraphs 362-375 of the main discussion paper)?

Response: The Committee concurs with the proposed guidance associated with this portion of the question.

Question 16(d): Do you agree with the paper's analyses and conclusions with respect to the comparative relevance and reliability of value in use (see paragraphs 162-169 of the condensed version and paragraphs 376-392 of the main discussion paper)?

Response: The Committee concurs with the proposed guidance associated with this portion of the question.

Question 16(e): Do you agree with the paper's analyses and conclusions with respect to the comparative relevance and reliability of deprival value (see paragraphs 170-178 of the condensed version and paragraphs 393-409 of the main discussion paper)?

Response: The Committee concurs with the proposed guidance associated with this portion of the question. However, the Committee thought that the concept of deprival value was not relevant and could be eliminated from this discussion paper.

Question 17: Do you agree that, when other measurement bases are used as substitutes for fair value on initial recognition, they should be applied on bases as consistent as possible with the fair value measurement objective (see paragraph 186 of the condensed version and paragraph 417 of the main discussion paper)? If not, please explain why.

Response: The Committee concurs with the proposed guidance associated with this question.

Question 18: Do you agree with the proposed hierarchy for the measurement of assets and liabilities on initial recognition (see chapter 8)? If not, please explain your reasons for disagreeing and what alternatives you might propose.

Response: The Committee concurs with the proposed guidance associated with this question.

Question 19: Do you have comments on any other issues or proposals, including the proposals for further research (see paragraph 189 of the condensed version and paragraph 441 of the main discussion paper)? If so, please provide them.

Response: The Committee does not have any additional comments regarding this discussion paper.

Director, Accounting Standards

May 5, 2006

Page 8 of 8

In conclusion, the Committee appreciates the opportunity to share its views and concerns. Members of the Committee are available to discuss any questions that you may have regarding this communication.

Sincerely,

***Richard G. Edsall***

Richard G. Edsall, CPA, Chair

FICPA Accounting Principles and Auditing Standards Committee

Committee members coordinating this response:

David E. McClellan, CPA

Edward C. LaBrecque, CPA