

March 26, 2024

Ms. Hillary H. Salo  
Technical Director  
Financial Accounting Standards Board  
801 Main Avenue  
P.O. Box 5116  
Norwalk, CT 06856-5116

RE: File Reference No. 2023-ED700

Dear Ms. Salo:

CFA Institute<sup>1</sup>, in consultation with its Corporate Disclosure Policy Council (“CDPC”)<sup>2</sup>, appreciates the opportunity to comment and provide our perspectives on the Financial Accounting Standards Board’s (“FASB” or the “Board”) [Exposure Draft of the Proposed Statement of Financial Accounting Concepts - Concepts Statement No. 8, Conceptual Framework for Financial Reporting Chapter 6: Measurement](#) (“Exposure Draft”).

CFA Institute has a long history of promoting fair and transparent global capital markets and advocating for strong investor protections. An integral part of our efforts toward meeting those goals is ensuring that corporate financial reporting and disclosures and the related audits provided to investors and other end users are of high quality. Our advocacy position is informed by our global membership who invest both locally and globally.

## INTRODUCTION

Concepts Statements are not authoritative and do not override existing standards even if they are in conflict. However, Concepts Statements are not purely academic exercises, they are intended to “establish concepts that the Board would use in developing standards of financial accounting and reporting” and are used as guidance by entities accounting for transactions and events in the absence of authoritative GAAP for the transaction and event or for a similar one.<sup>3,4</sup>

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<sup>1</sup> With offices in Charlottesville, VA; New York; Washington, DC; Brussels; Hong Kong SAR; Mumbai; Beijing; Abu Dhabi; and London, CFA Institute is a global, not-for-profit professional association of more than 190,000 members, as well as 160 member societies around the world. Members include investment analysts, advisers, portfolio managers, and other investment professionals. CFA Institute administers the Chartered Financial Analyst® (CFA®) Program. For more information, visit [www.cfainstitute.org](http://www.cfainstitute.org) or follow us on [LinkedIn](#) and [X](#).

<sup>2</sup> The objective of the CDPC is to foster the integrity of financial markets through its efforts to address issues affecting the quality of financial reporting and disclosure worldwide. The CDPC is comprised of investment professionals with extensive expertise and experience in the global capital markets, some of whom are also CFA Institute member volunteers. In this capacity, the CDPC provides the practitioners’ perspective in the promotion of high-quality financial reporting and disclosures that meet the needs of investors.

<sup>3</sup> Exposure Draft, Paragraph P4.

<sup>4</sup> Accounting Standards Codification (ASC) 105-10-05 Paragraphs 2 and 3.

***Replacement of Existing Concepts Statements*** – The Exposure Draft is intended to replace Concepts Statement No.5, *Recognition and Measurement in Financial Statements of Business Enterprises* (“Concepts Statement No. 5”) and Concepts Statement No. 7, *Using Cash Flow Information and Present Value in Accounting Measurements* (“Concepts Statement No. 7”).

Concepts Statement No. 5 briefly lists several measurement bases for assets and liabilities that accountants use in present practice. Concepts Statement No. 7 discusses the objective of present value in the measurement of assets and liabilities and provides principles of present value techniques, including for circumstances when the amount of future cash flows, their timing, or both are uncertain.

The Basis for Conclusions in the Exposure Draft explains the Board’s reasons for revisiting Concepts Statements No. 5 and No. 7:

With regard to measurement, *Concepts Statement 5 was criticized as being a description of practice rather than providing a conceptual basis for standard-setting decisions*. The Board concluded that *the discussion of measurement should be further developed with the objective of providing a framework for analyzing measurement issues more consistently*.<sup>5</sup>

The Board considered whether portions of FASB Concepts Statement No. 7, *Using Cash Flow Information and Present Value in Accounting Measurements*, should be retained as an appendix to this chapter. Concepts Statement 7, which was issued in 2000, addressed the use of probability-weighted cash flows to estimate market participant exit prices (fair value). *The Board observed that the standard-setting environment, as well as practice, has evolved since the issuance of Concepts Statement 7*. Therefore, the Board decided to supersede Concepts Statement 7 in its entirety. *The Board noted that Concepts Statement 7 relates to a small aspect of this chapter and it is more illustrative rather than conceptual in nature*.<sup>6</sup>

***Key Provisions of the Exposure Draft*** – The Exposure Draft describes:

- Two measurement systems: entry prices and exit prices;<sup>7</sup> and
- Considerations necessary to choose between those measurement systems.

Entry price is defined as the price paid to acquire an asset or received to assume a liability in an exchange transaction, while exit price is defined as the price received to sell an asset or paid to transfer or settle a liability in an exchange transaction.<sup>8</sup> Both systems use entry price at initial measurement and exit price at the point of final measurement and derecognition, so the difference lies in subsequent measurement.<sup>9</sup>

Subsequent measurement under the entry price system consists of systematic cost allocation (i.e., amortization or accretion) over the expected benefit period and remeasurement when the asset is impaired, or the liability’s settlement value is modified. The entry price adjusted for

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<sup>5</sup> Exposure Draft, Paragraph BC 6.2.

<sup>6</sup> Ibid, Paragraph BC 6.16.

<sup>7</sup> These terms appear identical to those used in Accounting Standards Codification (ASC) Topic 820, Fair Value Measurement, though that standard is not cited to. See ASC 820-10-30-2.

<sup>8</sup> Exposure Draft, paragraph M7.

<sup>9</sup> Ibid, paragraph M9. While this is stated in the Exposure Draft, we note there are nonexchange and other transactions for which “entry price” does not have a clear meaning such as a warranty or contingent liability.

amortization/accretion is not intended to approximate an entry or exit price. However, when remeasurements are taken, the asset or liability is remeasured to the exit price.

Subsequent measurement under the exit price system consists of remeasurement at each reporting period, with gains and losses from remeasurement charged to comprehensive income.

As stated in the Basis for Conclusions, the Exposure Draft ***“does not conclude which measurement system should be used for any particular asset or liability.”***<sup>10</sup> The Exposure Draft asserts that both entry and exit prices are relevant and representationally faithful, and that the choice between entry and exit prices should be guided by ***“whichever system best meets the objective of general purpose financial reporting for a particular asset or liability being measured.”***<sup>11</sup>

However, the Exposure Draft does suggest one test for choosing between the entry and exit price systems, which is based on whether the entity has a “unique” exit price for the “same” asset or liability:

*The entry price system would likely result in more relevant measurements when entities have unique exit prices for the same asset or liability.* That is because for assets and liabilities with unique exit prices, the entry price system better maintains the historical relationship between revenues and the costs incurred and the assets employed to generate those revenues.<sup>12</sup>

*[T]he exit price system (specifically, an exit price that incorporates market participant cash flows) would likely result in more relevant measurements when entities have the same exit price for the same asset or liability.* That is because the prices associated with the asset or liability are often more exposed to fluctuations in market conditions. Exit prices that incorporate market participant cash flows provide more useful information to users because these prices help users better understand the risks and uncertainties inherent in those potential cash flows.<sup>13</sup>

The Exposure Draft does not describe a **process for determining whether an asset or liability has a unique or nonunique price** among entities beyond stating that one indication, which is not determinative, is whether the asset or liability is used in combination with other assets or liabilities or if it is used on a standalone basis:

*Assets or liabilities used in combination with other assets or liabilities are more likely to result in a unique price, while assets or liabilities used on a standalone basis are more likely to result in a nonunique price.*<sup>14</sup>

***Consideration of the IASB Conceptual Framework*** – The Exposure Draft discusses the previous collaboration between the FASB and International Accounting Standards Board (IASB) on their respective conceptual frameworks. We find the Exposure Draft to be substantially the same as Chapter 6, Measurement from the IASB’s *Conceptual Framework*, though the IASB uses “historical cost” and “current value” rather than “entry price” and “exit price.” Therefore, our comments herein echo those made in our [Comment Letter on Conceptual Framework Discussion Paper: Measurement](#) to the IASB after it exposed its Conceptual Framework in 2014.

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<sup>10</sup> Exposure Draft, Paragraph BC 6.5.

<sup>11</sup> Ibid, Paragraph M28.

<sup>12</sup> Ibid, Paragraph M31.

<sup>13</sup> Ibid, Paragraph M32.

<sup>14</sup> Ibid, Paragraph M30.

## OVERARCHING ISSUES

As we considered the Exposure Draft both overall and in detail, three big picture issues emerged that we believe the Board must address to ensure that the final Concepts Statement supports the improvement of the accuracy and effectiveness of financial reporting and the protection of investors.<sup>15</sup>

1. ***Entry Price System is Mischaracterized as Equally Useful for Investors as the Exit Price System.*** The entry price measurement system often produces outcomes that are neither relevant nor representationally faithful to investors because of its approach to subsequent measurement.
2. ***Considerations for Choosing Exit vs. Entry Price Need Improvement.*** Some considerations for choosing between the measurement systems are provided, but they have conceptual problems. By leaving most of the work of choosing a measurement system to the standards level, we don't see how the Exposure Draft will help the Board drive improvements in financial reporting.

It would have been helpful if the Board illustrated the application of this Exposure Draft throughout the existing standards such that those commenting can be provided with the gaps that exist between the conceptual framework and current standards and how the conceptual framework could be used to improve those standards.

3. ***Disclosure Considerations or Conditions Are Not Addressed.*** The Exposure Draft does not discuss the implications of the choice of measurement system on disclosures in the notes to the financial statements.

We discuss each of these issues before answering the specific questions posed by the Board to respondents.

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<sup>15</sup> See [Policy Statement: Reaffirming the Status of the FASB as a Designated Private-Sector Standard Setter](#), Securities and Exchange Commission, 2003: "...recognition of standards set by a private sector standard-setting body as "generally accepted" is only appropriate under section 108 of the Sarbanes-Oxley Act if, among other things, the Commission determines that the private sector body 'has the capacity to assist the Commission in fulfilling the requirements of...the Securities Exchange Act ... **because, at a minimum, the standard setting body is capable of improving the accuracy and effectiveness of financial reporting and the protection of investors under the securities laws.**" (emphasis added).

## 1. *Entry Price System is Mischaracterized as Equally Useful for Investors as the Exit Price System.*

The entry and exit price measurement systems use the same prices for initial and final measurement of assets and liabilities, so the difference between the two systems lies in subsequent measurement.

The question facing the Board is: which is more decision useful for investors, subsequent measurement based on adjusted entry prices using amortization/accretion or subsequent measurement based on exit prices at each reporting date?

The answer is clearly the exit price measurement system, for several reasons:

- Adjusted entry prices are not intended to approximate entry or exit prices.<sup>16</sup> Similarly, amortization and accretion adjusting entries are not intended to – nor do they – approximate changes in the value of assets or liabilities over time or give an indication to users of accumulating replacement cost. **In other words, adjusted entry prices do not faithfully represent the asset or liability because they have no economic meaning, and amortization/accretion adjustments are irrelevant.**
- The historical cost of an asset, especially one purchased long ago, has no relationship to the future cash flows it may generate. **Historical cost therefore does not have predictive value for users. The non-current asset section of balance sheets today is largely ignored by users, as are amortization/accretion adjustments.**
- Estimated benefit periods (i.e., useful life) used to adjust entry prices are unobservable, unverifiable, and not comparable across entities for users. Additionally, management will change useful lives periodically, further reducing decision usefulness.
- Supporters of the entry price system argue that is better because “it is the truth.” This is nonsensical as adjusted entry prices and amortization/accretion amounts only exist in the accountant’s ledger.

The impairment testing feature of the entry price system is an indictment of the system. To ensure that they perform impairment testing in a timely manner, management must maintain awareness of exit prices even if they are using the entry price measurement system. If the exit price is below the carrying value, the asset is impaired down to the exit price. If the exit price is greater than the carrying value, management takes no action, instead leaving that to users of the financial statements who do not have nearly the same amount of granular information.

The exit price measurement system simply does away with this game and requires entities to report information they are already keeping a record of.

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<sup>16</sup> Exposure Draft paragraph M11.

**CFA Institute has consistently advocated for fair value (i.e., exit price) measurement over historical cost measurement for decades.** We first formalized our views on this subject in our 1993 publication, [\*Financial Reporting in the 1990s and Beyond\*](#):

***It is axiomatic that it is better to know what something is worth now than what it was worth at some moment in the past . . . Historic cost itself is in reality historic market value, the amount of a past transaction engaged in by the firm. . . Historic cost data are never comparable on a firm-to-firm basis because the costs were incurred at different dates by different firms (or even within a single firm). There is no financial analyst who would not want to know the market value of individual assets and liabilities.***

While we updated and expanded our conceptual framework for financial reporting in our 2007 publication [\*A Comprehensive Business Reporting Model: Financial Reporting for Investors\*](#), our view of fair value as the decision useful measurement base for financial statement users was unchanged:

***Fair value measures reflect the most current and complete estimations of the value of the asset or obligation, including the amounts, timing, and riskiness of the future cash flows attributable to the asset or obligation. Such expectations lie at the heart of all asset exchanges.***

In 2010, in conjunction with our response to the Board's exposure draft on [\*Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities\*](#), we also issued two additional documents that provide the basis for our support of fair value measurements and a refutation of the arguments against fair value measurements:

- [Fair Value as the Measurement Basis for Financial Instruments](#)
- [Consideration of the Arguments Against Fair Value as the Measurement Basis for Financial Instruments.](#)

Our support of fair value rests on basic facts that are well documented in the aforementioned documents where we reference empirical research to support our position.

- ***Fair Value Reflects Economic Reality.***
  - Investors are forward, not backwards looking. The enterprise value of an entity is the present value of its future cash flows. Measurement of items on the financial statements should assist users in estimating future cash flows.
  - Management is also forward, not backwards looking. Management considers the fair value of assets and liabilities, not historical values, when making investing and financing decisions.
  - Investors react to changes in fair value whether they are reflected in financial statements or not. For example, the shares of entities producing oil and gas, gold, and other natural resources are highly sensitive to the market price of the natural resource. Similarly, entities that own real estate financed by debt have share prices that are highly sensitive to changes in property prices and interest rates.
- ***Fair Value Reflects How Transactions Are Executed.***
  - Debt investors, including banks, only lend against the fair value of collateral, not their historical value.
  - When a company has excess cash and wants to settle certain of its liabilities, it evaluates what it must pay to settle the liability rather than what it originally received in the exchange which created the liability.

## 2. Considerations for Choosing Exit vs. Entry Price Need Improvement.

The Exposure Draft suggests that the *choice* between entry or exit price measurement systems for an asset or liability may be *based on whether entities have “unique” exit prices* for that “same” asset or liability. An indication – but not a definitive one – that two or more entities could realize unique prices for the same asset or liability is if the asset or liability is “used in combination with” other assets and liabilities.<sup>17</sup>

The Board reasons that the entry price system should be used when the entity has a unique exit price for the same asset or liability because, for assets and liabilities with unique exit prices, “the entry price system better maintains the historical relationship between revenues and the costs incurred and the assets employed to generate those revenues” which is important for users to predict future cash flows.

We find several problems with the proposed test:

- Initial and final measurements under the entry and exit price measurement systems are the same. *We don’t understand how subsequent measurement under the entry price system* (i.e., amortized cost and amortization for an asset or liability) *produces decision useful information regardless of the uniqueness of the exit price* of the asset or liability.

It is the *current or incremental relationship between revenues and the costs incurred and the assets employed to generate revenues that has the most predictive value for investors*. For example, the gross margin from a sale of inventory purchased recently is far more useful than the gross margin from a sale of inventory purchased long ago or measured at some historical value. Similarly, the rate of return on assets valued at historical cost is not indicative of the rate of return on an incremental investment.

The analytical difficulty here for investors increases with longer inventory turnover and useful lives of assets (and times to maturity or settlement) as the relevance and representational faithfulness of entry price measurements erode over time.

- *A manager could argue that any asset or liability is used in combination with other assets and liabilities*. An equity security may be sold to settle a liability. A bond may have been issued to finance the purchase of an asset. A commodities trader may use a leased computer to trade commodities. An office building may have multiple information technology assets on premises, etc.
- Is “unique” (in unique price) intended to mean one-of-a-kind, down to the penny, and is “same” (in same asset or liability) intended to mean identical, or is *similar* enough?
- *Measurement decisions based on management intent and ability* (to use assets and liabilities in combination, to hold a bond to maturity, etc.) *are not neutral and introduce too much bias*.

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<sup>17</sup> Exposure Draft paragraph M30.

Management changes frequently. On average, CEOs and CFOs of public companies turn over every 3 – 4 years.<sup>18</sup>

As vividly illustrated by the failure of Silicon Valley Bank and other financial institutions in 2023, reality can quickly override management intent (to the extent it ever truly existed)<sup>19</sup> and ability.

Under the proposed test, we think management will be able to select whichever measurement system they prefer, which we fear would be the entry price system.

Improving the proposed test by specifying a process for entities to determine if an asset or liability is the “same” as other entities’, if an entity could realize a “unique” price, how to determine the meaning of “use in combination,” and means to minimize management bias in that decision are not good uses of the Board’s resources. The straightforward solution is to simply use the measurement objective and general principle from ASC 820-10-05-1B and 1C, reproduced below. The general principle is based on the observability of measurement inputs and is well known among users, preparers, and practitioners.

**However, the objective of a fair value measurement in both cases is the same—to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions** (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

**When a price for an identical asset or liability is not observable, a reporting entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.** Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, **a reporting entity's intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value.**” (emphasis added).

Beyond the proposed test discussed above, the Exposure Draft speaks in more general terms about choosing between measurement systems:

Paragraph M9: “[T]he selection between alternative measurement systems will be based on which measurement system best meets the objective of general-purpose financial reporting and best possesses the qualitative characteristics of decision-useful information for the asset or liability being measured.”

Paragraph M28: “Choosing between the entry price system and the exit price system should be guided by whichever system best meets the objective of general-purpose financial reporting for a particular asset or liability being measured.”

Paragraph M29: “Whichever measurement system best helps resource providers assess the amount, timing, and uncertainty of future net cash flows to the entity will be more relevant.”

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<sup>18</sup> CFOs log shortest tenure in C-suite: study. *CFO Dive*. December 20, 2022.

<sup>19</sup> Stephen G. Ryan et al., *Banks’ Motivations for Designating Securities as Held to Maturity* (Colum. Bus. Sch. Res. Paper No. 4452667 Oct. 29, 2023), available at [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=4452667](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4452667).



While we agree that measurement should be decision useful (it is the foundation of our criticism of the entry price measurement system), a high level of generality here is unhelpful to the Board in standard setting and entities making reporting decisions. ***We don't think there is enough guidance provided to fulfill the Board's objective in revising Concepts Statement No. 5, which was criticized as being a description of practice rather than providing a conceptual basis for standard-setting decisions.***

### ***3. Disclosure Considerations or Conditions: Not Addressed.***

Concepts Statement No. 8: *Conceptual Framework for Financial Reporting Chapter 8, Notes to the Financial Statements* discusses disclosures. Paragraph D47 of that Chapter identifies that “alternative measurements and information to support those measurements” as an “additional type of information [that] would be useful for some line items in some circumstances.” The Exposure Draft does not mention disclosures.

Some will argue that disclosure belongs in a separate chapter of the conceptual framework. We believe disclosure is so integral to the measurement choice and the resulting decision-usefulness of the information that related conceptual principles of disclosures should be addressed as part of this Exposure Draft.

Investors have different disclosure needs based on whether an asset or liability is measured using the entry price system or exit price system. These disclosures are needed to improve the decision usefulness of the measurement. For example, disclosures of the fair value of financial instruments recorded on the balance sheet using entry prices and sensitivity analyses of assets and liabilities have long helped investors assess liquidity and leverage. As the Board observed in the basis for conclusions in the Exposure Draft: “measurement, presentation, and disclosure all work together to achieve the objective of financial reporting.”<sup>20</sup>

As a general principle:

- Measurements based on entry prices should be complemented by disclosure of measurement inputs (e.g., useful life and salvage value) and measurement using the exit price system if it is available to management, which we believe is an assumption that is difficult to rebut because of impairment testing requirements; and
- Measurements based on exit prices should be complemented by disclosure of measurement inputs (e.g., source of market prices, valuation technique, discount rates) and information to assess the sensitivity of the measurement to changes in those inputs.

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<sup>20</sup> Exposure Draft paragraph BC6.12.

## ANSWERS TO SPECIFIC QUESTIONS

**Question 1:** *Do you agree with the proposed underlying premise that to have predictive value the reported amounts of assets should not be more than what is recoverable, by disposition or use, and the reported amounts of liabilities should not be less than what is settleable, by transfer or satisfaction? Please explain why or why not.*

Concepts Statement No. 8: *Conceptual Framework for Financial Reporting Chapter 3, Qualitative Characteristics of Useful Financial Information* (as amended) states financial information has predictive value if “it can be used as an input to processes employed by users to predict future outcomes... Financial information with predictive value is employed by users in making their own predictions.”<sup>21</sup>

The proposed underlying premise allows for reporting assets at *less* than what is recoverable and liabilities at *more* than what is settleable. We don’t see how such measurements have predictive value for future cash flows. To have predictive value for users, entities should record assets at what is recoverable and liabilities at what is settleable.

The second sentence of Paragraph M4 should be revised to:

The conceptual premise in any measurement system is that the reported amounts of assets should ~~not be more than~~ what is recoverable, by disposition or use, and the reported amounts of liabilities should ~~not be less than~~ what is settleable, by transfer or satisfaction.

**Question 2:** *Do you agree that measurement is anchored in prices, as described in paragraphs M5 and M6? Do you also agree that transactions and other events and circumstances affecting the entity should ultimately be measured in prices (entry prices and exit prices)? Please explain why or why not.*

We agree that measurement is anchored in prices, and we agree that transactions and other events and circumstances should ultimately be measured in prices, although there are nonexchange transactions (i.e., income taxes and contingencies) for which the word “price” is not applicable. We do not agree with the use of entry prices because they quickly become irrelevant and lose representationally faithfulness for users. See our discussion in Overarching Issue 1 above.

**Question 3:** *Do you agree with the proposed description and features of the entry price system as described in paragraphs M10–M14? Please explain why or why not.*

Paragraphs M10 – M14 describe the entry price system as it is employed today but inaccurately characterizes its outcomes as relevant and representationally faithful for users. See our discussion in Overarching Issue 1 above on how subsequent measurement in the entry price measurement system is misleading.

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<sup>21</sup> Concepts Statement No. 8: *Conceptual Framework for Financial Reporting Chapter 3, Qualitative Characteristics of Useful Financial Information* (as amended) paragraph QC8.

***Question 4: Do you agree with the proposed description and features of the exit price system as described in paragraphs M15–M19? Please explain why or why not.***

Most of it, yes, but the Exposure Draft introduces the notion of “entity-specific exit price” that is not referenced in ASC Topic 820 or elsewhere in the ASC.

In the absence of greater clarity on what an “entity-specific exit price” is and how it differs from an exit price from a market participant perspective with examples, we strongly recommend the Board deletes mentions of “entity-specific exit price.”

Besides measuring non-exchange transactions like taxes and legal contingency liabilities, we don’t know how to interpret “entity-specific exit price” because an exit price inherently requires a counterparty apart from the entity. Based on our reading of other comment letters submitted on this Exposure Draft, we note that we’re not alone in our ignorance about this.

***Question 5: Do you agree that the entry price and exit price systems, as explained in paragraph M7, are the only two relevant and representationally faithful measurement systems that would meet the objective of general-purpose financial reporting? Please explain why or why not.***

No, as we discuss in Overarching Issue 1 above, the entry price measurement system is not relevant or representationally faithful.

***Question 6: Do you agree that the entry price system would likely result in more relevant measurements when entities have unique exit prices for the same asset or liability? Please explain why or why not. (See paragraph M31.)***

No. See our discussion in Overarching Issue 2 above. The notion of “unique exit prices for the same asset or liability” is fraught with complications that will not result in decision useful information for investors.

***Question 7: Do you agree that the exit price system (specifically, an exit price that incorporates market participant cash flows) would likely result in more relevant measurements when entities have the same exit price for the same asset or liability? Please explain why or why not. (See paragraph M32.)***

Yes, but the use of exit prices should not be limited to assets and liabilities that management judges, or advocates to the FASB to judge, as having nonunique exit price as other entities with the same asset or liability.

We cannot think of a system other than exit price that would result in relevant and representationally faithful measurements for users.

*Other Comments: Concepts Statement No. 7 and Equity.* We join other commenters who have asked the Board to

- Retain Concepts Statement No.7 as an appendix because its extensive coverage of present value techniques is useful, in particular its discussion of the expected cash flow technique that uses probability weighted cash flows.<sup>22</sup>
- Expand the conceptual framework to include measurement of equity, which is not addressed in the Exposure Draft.<sup>23</sup> While dismissed as simply a residual category, book value of equity is commonly used by investors and regulators in certain industries and should have a theoretical foundation.

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Thank you for your consideration of our views and perspectives. We would welcome the opportunity to meet with you to provide more details. If you have any questions or seek further elaboration of our views, please contact Sandra J. Peters at [sandra.peters@cfainstitute.org](mailto:sandra.peters@cfainstitute.org) and Matthew P. Winters at [matt.winters@cfainstitute.org](mailto:matt.winters@cfainstitute.org).

Sincerely,

*/s/ Sandra J. Peters*

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Senior Head  
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*/s/ Matthew P. Winters*

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<sup>22</sup> See, for example, comment letters submitted by BDO, KPMG, and PwC.

<sup>23</sup> See comment letter submitted by KPMG.