

**Financial Accounting Standards Board**  
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**For Immediate Release**

**FASB Standard Provides Enhanced Guidance  
for Measuring Fair Value**

**Board Establishes Measurement Framework and Expands Disclosures Associated With  
Fair Value Measurements**

**Norwalk, CT, September 15, 2006**—The FASB today issued a standard that provides enhanced guidance for using fair value to measure assets and liabilities. The standard also responds to investors’ requests for expanded information about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value, and the effect of fair value measurements on earnings. The standard applies whenever other standards require (or permit) assets or liabilities to be measured at fair value. The standard does not expand the use of fair value in any new circumstances.

***Addressing Diversity and Inconsistency***

Over 40 current accounting standards within generally accepted accounting principles (GAAP) require (or permit) entities to measure assets and liabilities at fair value. Prior to this standard, the methods for measuring fair value were diverse and inconsistent, especially for items that are not actively traded. In the case of derivatives, the Board consulted with investors, who generally supported fair value – even when market data are not available – along with expanded disclosure of the methods used and the effect on earnings. “The standard clarifies that for items that are not actively traded, such as certain kinds of derivatives, fair value should reflect the price in a transaction with a market participant, not just the company’s mark-to-model value,” said Linda MacDonald, FASB director and fair value measurements project manager. “The standard also requires expanded disclosure of the effect on earnings for items measured using unobservable data.”

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### ***A Single Definition and Enhanced Guidance***

Under the standard, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. The standard clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability. In support of this principle, the standard establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data, for example, the reporting entity's own data. Under the standard, fair value measurements would be separately disclosed by level within the fair value hierarchy.

### ***Better Information for Investors***

"Today's Statement establishes a market-based framework for measuring assets and liabilities at fair value if a particular accounting standard calls for it," said Leslie F. Seidman, FASB member. "Moreover, by requiring companies to provide expanded information about the assets and liabilities measured at fair value, investors and other financial statement users will be able to make more informed decisions about the potential effect of those measurements on an entity's financial performance."

### ***Effective Date***

Statement of Financial Accounting Standards No. 157, Fair Value Measurements, is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Early adoption is permitted.

### ***Convergence with IASB***

In line with the commitment to international convergence of accounting standards, the International Accounting Standards Board (IASB) intends to issue this statement to its constituents in the form of a preliminary views document.

### ***About the Financial Accounting Standards Board***

Since 1973, the Financial Accounting Standards Board has been the designated organization in the private sector for establishing standards of financial accounting and reporting. Those standards govern the preparation of financial reports and are officially recognized as authoritative by the Securities and Exchange Commission and the American Institute of Certified Public Accountants. Such standards are essential to the efficient functioning of the economy because investors, creditors, auditors, and others rely on credible, transparent and comparable financial information. For more information about the FASB, visit our website at [www.fasb.org](http://www.fasb.org).

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