



Public Company Accounting Oversight Board

PCAOB Issues Staff Audit Practice Alert on Fair Value

Washington, DC, December 10, 2007 – The Public Company Accounting Oversight Board today published a Staff Audit Practice Alert on the audit of fair value measurements in financial statements. The alert provides auditors with additional information related to auditing fair value measurements and disclosures, as well as the use of specialists in this area.

"We were motivated to develop and issue this alert by the auditing challenges presented by the subprime credit situation and its effects on the markets and fair value measurements, and certain issues that might arise in the transition to Statement of Financial Accounting Standards No. 157, "Fair Value Measurements," said Marty Baumann, Director of the PCAOB Office of Research and Analysis.

Today's release, *Matters Related to Auditing Fair Value Measurements of Financial Instruments and the Use of Specialists*, highlights certain matters in four areas:

- Auditing fair value measurements;
- Classification of fair value measurements within the fair value hierarchy established by SFAS 157;
- The use of specialists in fair value measurements; and
- The use of pricing services in fair value measurements.

"This alert does not create any new auditing requirements," said Tom Ray, PCAOB Chief Auditor and Director of Professional Standards. "Rather, we issued the alert because we believe it will be helpful to auditors as they gear up to complete their year-end auditing work by reminding them of certain aspects of the auditing and related accounting standards that are particularly relevant at this moment."

Staff Audit Practice Alerts highlight emerging, or otherwise noteworthy circumstances that may affect how auditors conduct audits under the existing requirements of PCAOB standards and relevant laws. This is the second staff audit practice alert that the PCAOB has published to date. The first staff audit practice alert was issued in June 2006 on the topic of options backdating. The statements contained in staff audit practice alerts are not rules of the Board and do not reflect any Board determination or judgment about the conduct of any particular firm, auditor, or any other person.

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