GILBERT F. VIETS
2105 North Meridian Street, Suite 400
Indianapolis, Indiana 46202
November 3, 2014

Ms. Phoebe W. Brown
Office of the Secretary
PCAOB
1666 K Street, N.W.
Washington, D.C. 20006-2803

Re: Staff Consultation Paper, *Auditing Estimates and Fair Value Measurements*

Dear Board Members:

Thank you for an opportunity to comment on your consideration of auditing estimates and reported fair values.

Numbers reported in many financial statements are similar to an imagined condition of company footnotes expressed in random languages. The footnotes might be absolutely correct, but unfathomable.

Currency is not a steady or dependable measure. The yardstick keeps changing because of inflation and deflation, exchange rate variations and people's attitudes. The danger intensifies when "market value" and all its variations is added to numbers that get reported. Financial statements are still useful, but erratically multi lingual.

"Fair value" or "market value" is necessary for marketable securities in collective funds where investors have the ability to get in or out as they choose. Current value is also useful to judge a "lower of cost or market" determination in cost based reporting. But, fundamental investors find it difficult to use statements geared more for traders, or some blending thereof. Anyone who says this has not gotten us in trouble must have been asleep during the savings and loan crisis, the "dot com" bubble, the Enron disaster, the housing bubble and liquidity crisis and recession we just experienced; from history, how could they have justified reporting market value of the Mississippi Company and South Sea Company? Using today's standards, such reporting would have been acceptable with a clean audit opinion. It is not farfetched to say "Gresham's Law" is at work; clipping a coin is harder than making a journal entry. If we continue expanding the multi lingual nature of reported financial numbers, we should at least try to set standards for supporting and auditing the numbers.

I offer five suggestions to everything else in your comprehensive list of questions:

1. Prohibit registered independent public accounting firms from providing valuation services, not just for their own audit clients but for anybody else. Providing these services destroys their ability to independently judge other providers. *(Peyton Manning should not referee Patriot games while he tries to win a championship for the Broncos.)* Further, a consulting/audit firm that has determined the audited "fair values" for a company's assets or liabilities establishes a barrier to its ability to be selected as the auditor later; it is impossible to ignore earlier responsibility for creating valuations carried forward. Both situations are "appearance" problems and real conflicts.

2. Consider adding something similar to the following as a basic statement, or as a part of the accounting principles footnote *(The example is simplified. It needs refinement to ensure maximum clarification of the extent to which the numbers come from different languages with "poles apart" mindsets)*:

BASIS OF REPORTING

	ASSETS	***LIABILITIES***	***REVENUES***	***EXPENSES***
Direct transaction	***60%***	***65%***	***90%***	***70%***
Management Estimate	***20%***	***15%***	***3%***	***28%***
Market Value				
Level I	***15%***	***12%***	***0%***	***2%***
Level II	***3%***	***8%***	***7%***	***0%***
Level III	***2%***	***0%***	***0%***	***0%***
Total	***100%***	***100%***	***100%***	***100%***
Amounts reported on direct transactions and estimates made prior to 2004 (Inflation has devalued the $ by 25% in last 10 years)	***30%***	***20%***	***0%***	***26%***
Amounts reported requiring conversion from native currency to U.S. dollar	***22%***	***15%***	***30%***	***31%***

The presentation provides a chance to consider the quality of financial reporting based on the inherent strengths and weaknesses of the measuring sticks used, relative to those of other companies, and the likelihood of the future reporting effect of entrenched costs versus market value changes and estimates.

3. Review the standards of the valuation industry for training, procedures, independence and ethics. A good reference for such a review is the work of the United States Treasury Advisory Committee on the Auditing Profession which ultimately made recommendations relating to human capital; firm structure and finances; and concentration and competition.

4. Reject any suggestion of liability limitation for registrants, registered accounting firms and valuation experts. They certainly have the right to defend their approaches and results of their efforts, but the system will be weak if they have safe harbors for bad results.

5. The Public Company Accounting Oversight Board should develop public databases of empirical results of estimates and fair values that can provide insight to audit committees and investors. Help us understand if this is working and who is doing a good job.

Good luck!

Sincerely,

Gil Viets