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FASB Chair Robert Herz, the keynote speaker at NACVA's (www.nacva.com) Thirteenth Annual National Consultant's Conference in San Francisco last week, outlined his expectations of what auditors will expect from fair value analyses. Primarily, auditors will want to know what level of valuations were performed within a three-level hierarchy, and the effect of these measurements on income for the period, he said. The three levels are:

Level 1—observable market inputs that represent quoted prices in active markets for the asset or liability

Level 2—observable market inputs other than quoted prices in active markets for the asset or liability, including market-corroborated inputs

Level 3—unobservable market inputs developed based on reporting entity's own data adjusted to exclude factors specific to reporting entity if market participants would exclude those factors

Only time will tell how these standards are challenged in court, or practiced by the Big Three...for complete coverage of Herz' remarks at NACVA, see the July issue of *Business Valuation Update*, available at www.bvresources.com. And, the best overall source on the new fair value standards is Alfred King's new book *Fair Value for Financial Reporting* (Wiley), released in May, and available at www.amazon.com.