

FASB: 30 Years of Setting the Standard

On September 15, the FASB marked its 30th year as the private sector, independent U.S. accounting standard setter, serving both public and private companies. While much has been accomplished during that thirty-year period, today the FASB is seizing new challenges and opportunities to tackle increasingly complex financial reporting issues, improve process efficiencies and produce better, more robust accounting standards that will emphasize the principle—or objective—underlying the guidance.

In an effort to bring together past and present participants in the standard-setting process, recognize their service and share collective insights, this past summer, FASB Chairman Robert H. Herz began planning a day-long FASB 30th Anniversary Forum. The Forum, at which past and present FASB Board members, staff and Practice and Industry Fellows, along with the Chairmen of the FAF, SEC and PCAOB, provided an opportunity for participants to discuss the challenges facing financial reporting and share ideas and experiences.

The Forum was attended by important leaders in financial reporting: Manuel H. Johnson, Financial Accounting Foundation Chairman; William H. Donaldson, Securities and Exchange Commission Chairman; and William J. McDonough, Public Company Accounting Oversight Board Chairman, who held a panel discussion hosted by Mr. Herz. In addition, newly named SEC Chief Accountant Donald Nicolaisen was in attendance and listened to the various panelists.

People Are the FASB's Greatest Resource

The day-long Forum, held in Norwalk, attracted over 100 participants who filled the FASB's fifth floor boardroom to maximum capacity. FASB alums, including former Chairmen Edmund L. Jenkins (1997–2002), Dennis R. Beresford (1987–1997) and Donald J. Kirk (Board member 1973–1977; Chairman 1978–1986) represented life at the Board over three decades.

Mr. Herz acknowledged the special people who have made the FASB the great organization that it is and took the opportunity to tap participants' varied perspectives in planning for the next thirty years.

In welcoming participants, Mr. Herz remarked: "For many of you in attendance today, it is like coming home. We are honored to see such strong participation from all of you and your continued interest in the FASB. As in the past, it's the people at the FASB who matter most. I believe you can measure the success of an organization by looking at the people who comprise it. And, I'm proud to say, this is a most distinguished and accomplished group, and I am honored to be among the participants."

Interactive Forum Yields Ideas and Experiences

By most reports, the audience and panelists were rapt throughout many discussions that evolved into highly interactive sessions. Those discussions covered topics as diverse as revenue recognition, reporting on financial performance and fair value measurement and resulted in exchanges and debates about recent financial reporting experiences that were instructive, as well as recommendations for changes that would improve financial reporting.

Panel Discussion with Chairmen

Topping the day's events was a panel that featured the Chairmen of the FAF, SEC, PCAOB and FASB. After introductory remarks made by Mr. Herz that welcomed the three distinguished guests, FAF Chairman Manuel H. Johnson opened the session. He began by reflecting on the past seven years that he has headed up the Foundation, citing the achievements made by the Foundation that have helped shape today's FASB.

Mr. Johnson talked about the significant challenges facing participants in the financial reporting system that stem from egregious accounting abuses and their impact on the investing public. In reflecting on those events and the FASB's mission, Mr. Johnson said, "Public confidence is the key to the FASB's independence. We must continue to work hard to maintain that confidence to make sure that independent standard setting is protected."

Among the FAF's accomplishments cited by Mr. Johnson were preserving the FASB's independence as U.S. standard setter; increasing awareness and understanding of the FASB and its standards to constituents, including Congress; supporting progress made by the FASB on convergence of global accounting standards; enhancing and building more productive relationships between the FAF and FASB; and streamlining the FASB's process to a simple majority versus super-majority voting process.

In addition to those achievements, Mr. Johnson stated that the FAF had recently been enhanced by adding greater independence to its trustee appointment process. All of these efforts should provide a critical foundation for the FASB's future success.

SEC Chairman William Donaldson told attendees that we are in the midst of a "tremendous time of transition," and that we must all work together to restore investor confidence. He chronicled the events leading up to the Sarbanes-Oxley Act of 2002 and talked about how the "serious erosion of business conduct" led to the financial failures at several well-known companies and how "greed and malfeasance" fueled those failures.

Mr. Donaldson talked about measures that the SEC is taking to crack down on abuses and to enhance its own operations and

resources to better address today's marketplace. In addition, he discussed the important roles that the FASB, PCAOB and SEC would play in helping to restore confidence and summed it up this way: "More than ever, the investing public is depending on the coordinated efforts of the FASB, PCAOB and SEC."

The SEC Chairman went on to say that the SEC would continue to look to the private sector in establishing accounting standards. In commenting on the FASB's role, he stated, "The [SEC] is committed to ensuring the FASB's independence. The Commission anticipates the continuation and enhancement of the collegial working relationship developed with the FASB over 30 years of experience."

Addressing the role of the auditing oversight Board, PCAOB Chairman William J. McDonough discussed the many factors that contributed to the formation of that Board and why oversight of the accounting profession is so important and how the organization will review auditing.

In describing the significant challenges facing the accounting industry, Mr. McDonough remarked, "The members of the accounting profession are going to have to prove that they have earned the peoples' trust. Everyone in this room has a role to play."

Mr. McDonough outlined for participants the PCAOB's four key tasks: registration, inspection, enforcement and standard setting for the auditing profession. He talked about how each of these areas would work and why they were relevant to the oversight process. Importantly, Mr. McDonough believes that the Sarbanes-Oxley legislation provides an opportunity for auditors to reclaim their profession's reputation. Looking optimistically at the challenges ahead, he commented, "The PCAOB will work with the accounting profession to bring it back to its past glory."

Panels on Key Topics

Interactive panel sessions were featured throughout the day and were kicked off by Mr. Herz who introduced the three FASB Directors, Larry Smith, Sue Bielstein and Kim Petrone. Mr. Smith, who heads up the Emerging Issues Task Force, addressed changes in the U.S. accounting standard-setting process that are aimed at bringing greater consistency to all accounting guidance. Following Mr. Smith's discussion, Ms. Bielstein covered the progress being made on the FASB's participation on convergence of international standards and how the FASB and IASB are working together to minimize existing differences. Ms. Petrone discussed principles-based standards and the current status of the

Board's activities and discussions relating to the SEC's study on adoption of a principles-based accounting system.

A panel on the FASB's current technical agenda was held with FASB Board members who addressed three topics: revenue recognition, fair value measurement and financial performance reporting. Ed Trott provided an overview, followed by discussions led by Mike Crooch, Leslie Seidman and Gary Schieneman.

An afternoon panel, moderated by FASB Board member Katherine Schipper, tapped the perspectives and experiences of five FASB alums—a former Chairman, former Board Member and former Practice Fellows. Participants were Denny Beresford, former FASB Chairman, who now teaches at the University of Georgia; Greg Jonas of Moody's; Teri List of Procter & Gamble; Ben Neuhausen of BDO Seidman; and Bob Swieringa of Cornell University. This group of participants was asked to address prevalent issues facing accounting standard setting. It was a lively session that sparked much discussion.

The Forum's series of panel discussions, exchange of ideas and opportunity to meet with past and present colleagues made for a rewarding and productive day. Participants' perspectives, experiences and interest in the Board's work should support the FASB in its standard-setting mission for the next 30 years.