

REPORT OF THE CHAIRMAN OF THE FASB
TO THE FINANCIAL ACCOUNTING FOUNDATION
November 1, 2007 through January 31, 2008

ITEM 1: TECHNICAL ACTIVITIES

BOARD AND STAFF ACTIVITIES

a. Documents issued:

1. Statement No. 141 (revised 2007), *Business Combinations*.
2. Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements*.
3. Final Statement 133 Implementation Issue No. E23, *Issues Involving the Application of the Shortcut Method under Paragraph 68*.
4. Preliminary Views, *Financial Instruments with Characteristics of Equity*. The comment period ends on May 30, 2008.
5. Proposed FSP SOP 07-1-a, *Effective Date of AICPA Statement of Position 07-1*. The comment period ended on December 17, 2007.
6. Proposed FSP FAS 157-a, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Its Related Interpretive Accounting Pronouncements That Address Leasing Transactions*. The comment period ended on January 4, 2008.
7. Proposed FSP FAS 157-b, *Effective Date of FASB Statement No. 157*. The comment period ended on January 16, 2008.
8. Proposed FSP FAS 142-f, *Determination of the Useful Life of Intangible Assets*. The comment period ended on January 16, 2008.
9. Proposed FSP FIN 48-b, *Effective Date of FASB Interpretation No. 48 for Nonpublic Enterprises*. The comment period ended on January 18, 2008.
10. Proposed FSP FAS 157-c, *Measuring of Liabilities under FASB Statement No. 157*. The comment period ends February 18, 2008.

b. Projects added to the Board's agenda:

1. Project to defer the effective date of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, for all nonpublic entities, including not-for-profit entities.
2. Project to defer the effective date of FASB Statement No. 157, *Fair Value Measurements*, for one year for all nonfinancial assets and nonfinancial liabilities, except for those items that are recognized or disclosed at fair value in the financial statements on a recurring basis.
3. Project to clarify the principles in Statement 157 on the measurement of liabilities.
4. Project to expand the disclosures about plan assets under FASB Statement No. 132 (revised 2003), *Employers' Disclosures about Pensions and Other Postretirement Benefits*.

- c. Project removed from the Board's agenda:
 - 1. The Board decided not to finalize proposed FSP FAS 144-c, *Classifying and Accounting for a Depreciable Asset as Held-for-Sale When an Equity Method Investment Is Obtained*.
- d. Emerging Issues Task Force (EITF):
 - 1. At the December 12, 2007 Board meeting, the Board ratified the consensuses reached at the November 29, 2007 EITF meeting on Issues No. 07-1, "Accounting for Collaborative Arrangements," and No. 07-6, "Accounting for the Sale of Real Estate Subject to the Requirements of FASB Statement No. 66 When the Agreement Includes a Buy-Sell Clause."
 - 2. The Board also ratified the consensus-for-exposure reached by the Task Force on Issue No. 07-4, "Application of the Two-Class Method under FASB Statement No. 128 to Master Limited Partnerships." The comment period ended on February 8, 2008.
 - 3. All seven Board members participated in the November EITF meeting.
- e. The Board met in public meetings with representatives of the following organizations and discussed matters of mutual interest:
 - 1. CFA Institute
 - 2. National Association of Real Estate Investment Trusts.
- f. Six Board members participated in the November meeting of the Investors Technical Advisory Committee (ITAC).
- g. Seven Board members participated in the December meeting of the Financial Accounting Standards Advisory Council.
- h. Seven Board members participated in the December meeting of the Small Business Advisory Committee and the Private Company Financial Reporting Committee at a joint meeting of the two groups.
- i. The chairman, three Board members, and staff met with staff members of the SEC's Office of Economic Analysis to discuss the FASB's cost-benefit procedures.
- j. One Board member and staff coordinated a meeting between a subcommittee from the American Accounting Association and various experts from the valuation industry to discuss improvements in university curricula related to fair value measurements for financial reporting.
- k. Three Board members, the MP&T director, and staff held a closed meeting with ITAC, one IASB representative, two SEC representatives, and two representatives of the Center for Audit Quality.

- l. The TA&I director and staff met with the Valuation Resource Group to discuss Statement 157 implementation issues.
- m. Staff members (financial statement presentation team) participated in a meeting with representatives of PwC to discuss the results of their Performance Statement Survey issued in December 2007.
- n. Staff members met with a not-for-profit resource group to discuss significant issues related to accounting for goodwill and donor-related intangible assets that were raised in the comment letters to the Exposure Drafts, *Not-for-Profit Organizations: Mergers and Acquisitions*, and *Not-for-Profit Organizations: Goodwill and Other Intangible Assets Acquired in a Merger or Acquisition*.
- o. One staff member held a quarterly meeting with representatives of the AICPA Health Care Industry in Chicago.
- p. One staff member held a quarterly meeting with representatives of the AICPA Not-for-Profit Expert Panel in New York.
- q. One staff member met with NACUBO's Accounting Principles Council to discuss issues and outreach regarding the upcoming Proposed FPS on NFP Endowments & UPMIFA, as well as other FASB activities of interest to the higher education sector.
- r. One staff member met with the AICPA Private Companies Practice Section, Technical Issues Committee as the FASB liaison to the committee.
- s. One staff member met with the Private Company Financial Reporting Committee as the FASB liaison to the committee.
- t. Staff members attended an initial meeting of a working group of accountants, attorneys, and representatives of the Connecticut Attorney General's Office that is focusing on accounting matters related to the recently enacted Connecticut version of UPMIFA.
- u. A staff member participated as a discussion panelist at the CFO Roundtable meeting on revenue recognition.
- v. Board members and senior staff participated in the annual AAA/FASB Conference, which focused on revenue recognition.
- w. Two Board members, a director, and one staff member met in closed session with representatives of Financial Executives International (FEI) to discuss several topics, including fair value of financial instruments, derivatives and hedging, Statement 140, Statement 160, and international convergence issues.
- x. Two staff members met with representatives of the American Petroleum Institute to discuss accounting matters related to emissions allowances and trading inventory.

- y. Two staff members met with financial services industry representatives to discuss accounting matters related to trading commodity inventory.
- z. Three staff members met with representatives from the Investors Task Force (ITF) and other analysts to discuss accounting for commodity inventory.
- aa. Two staff members met with representatives from public accounting firms, consulting firms, and preparers to discuss matters related to the shortcut method of accounting.

INTERNATIONAL ACTIVITIES

- a. The chairman and the FAF's COO met with Kiyoto Hagiwara (Chairman of ASBJ Foundation) to discuss matters relating to global reporting and convergence of accounting standards.
- b. FASB staff participated in IASB Board meetings and discussed various technical issues on the Boards' joint projects on conceptual framework, short-term convergence, liabilities and equity, revenue recognition, and financial statement presentation.
- c. The FASB and IASB directors continued their on-going series of weekly conference calls to discuss technical and administrative matters.
- d. A staff member participated in a meeting of the IASB's financial instruments working group.

OTHER ACTIVITIES

- a. The following professional development sessions were presented to the Board and staff:
 - 1. FAF Trustees Chairman Roundtable. Bob Denham, FAF Chairman, discussed the responsibilities of the FAF Trustees, the process for selection of Trustees and Board members, and major developments affecting our organization.
 - 2. Introduction to the FASB Codification Standards. Tom Hoey, FASB Codification Project Director, and Dave Prather, FASB Codification Application Development Manager, provided an update on the codification project. The Codification was developed to address the issue of efficient access to authoritative U.S. GAAP. As part of the verification process, constituents will be encouraged to use the *FASB Accounting Standards Codification*TM during the verification period to perform research and provide feedback to the FASB.
 - 3. Update on Current Accounting Issues before the EITF. Richard Paul; Christopher Bolash, Brian Stevens, Sheri Wyatt, and Ronald Maples, FASB Practice Fellows, provided an update on the activities of the EITF, including recent consensuses and issues that were discussed at the November 29, 2006 EITF meeting.

EXTERNAL CONFERENCES

- a. Staff members attended the following conferences:
 1. AAA Annual Meeting—Revenue Recognition
 2. AICPA-SEC National Conference on Current SEC and PCAOB Developments
 3. KMPG Modeling and Projecting Financial Statement Conference

ITEM 2: ADMINISTRATIVE AND STRATEGIC ACTIVITIES

- a. Six Board members and two directors attended the November FAF Trustees meeting.
- b. The FASB Staff Structure Review Committee met with staff in November at an RTA meeting to discuss recommendations. They met twice and delivered a final report to the FASB chairman in January.

ITEM 3: WASHINGTON ACTIVITIES

- a. The chairman met with Members of the United States Senate and with Congressional staff members on international convergence and other technical activities of the Board.
- b. Staff members met in separate meetings with various staff of Congressional committees and representatives of Washington, DC-based trade associations to discuss the role of the FASB, various current projects, and other matters of mutual interest.
- c. The chairman participated as an official observer to the SEC Advisory Committee on Improvements to Financial Reporting. Board members are also acting as observers to the subcommittees of this committee.
- d. The chairman participated as an official observer to the U.S. Department of the Treasury's Advisory Committee on the Auditing Profession. Board members are also acting as observers to the subcommittees of this committee.
- e. The chairman, two Board members, the director of TA&I, the director of MP&T, and a staff member held quarterly meetings with the SEC and the PCAOB to discuss current FASB activities and other matters of mutual interest.
- f. The TA&I director participated as a senior advisor to the SEC Advisory Committee on Improvements to Financial Reporting.

ITEM 4: SPEECHES DELIVERED

Principal platforms addressed by the Board and staff members during the November 2007 through January 2008 period include:

- AICPA Annual Health Care Industry Conference
- AICPA National Banks & Savings Conference
- AICPA International Issues Conference
- AICPA Not-for-Profit Financial Executive Forum
- AICPA/FMD National Conference on the Securities Industry
- AICPA's SEC & PCAOB Developments Conference
- American Accounting Association Financial Accounting & Reporting section Mid-year Meeting
- Associated General Contractors of America, AGC Tax & Fiscal Affairs Committee Meeting
- Bermuda Insurance Club
- Center for Business Intelligence (CBI) Pharmaceutical Collaboration and Transaction Accounting Conference
- CFO Roundtable
- Edison Electric Institute Accounting Standards Committee
- FEI 2007 Conference on Current Financial Reporting Developments
- Financial Executives International (New Jersey)
- Financial Executives International (Boston)
- Financial Executives International (Ft. Worth)
- Financial Reporting Committee of NYC Bar Association
- Financial Reporting Conference, Oklahoma State University
- Florida Institute of CPAs, University of Florida
- Global Public Policy Symposium
- Institute of International Finance
- International Federation of Accountants
- Mayer Hoffman McCann P.C. 3rd Annual Accounting & Auditing Conference
- National Association of Directors (Webcast)
- New York State Society of CPAs SEC-FASB Conference
- New York Society of Security Analysts (NYSSA)
- Pepsico CPA Seminar
- St. Joseph's University
- SEC Institute
- University of California Berkeley, Haas School of Business CFRM
- William and Mary Business School

ITEM 5: ADDITIONAL COMMUNICATIONS ACTIVITIES

- a. The FASB, through the Communications Department, issued the following five press releases: FASB Rejects Deferral of Statement 157 for Financial Assets and Liabilities (11/14/07); FASB Issues Preliminary Views on *Financial Instruments with Characteristics of Equity* (11/30/07); FASB Issues FASB Statements No. 141(R), *Business Combinations* and No. 160, *Noncontrolling Interests in Consolidated Financial Statements* (12/4/07); FASB Delays FIN 48 for Nonpublic Enterprises (1/7/08); and FASB Launches Verification Phase for the *FASB Accounting Standards Codification*TM (1/15/07).

- b. Media outreach and development of communications materials and talking points focused on the following: Statement 140 and other accounting standards relating to the subprime mortgage crisis; FAF Board of Trustees recommendations; and the launch of the verification phase of the FASB Codification.
- c. The FASB and the Communications team continued to educate reporters from key outlets on the Board's activities and mission and independent process. Specific meetings or conference calls were held with reporters from *Fortune Magazine* (Statement 157 and CDOs); *Journal of Accountancy* (Bob Herz interview); *Accounting Today* (Statement 157; FASB Tech Plan for 2008); *Compliance Week* (financial presentation project); Associated Press (accounting for SIVs); *International Accounting Bulletin* (Bob Herz interview); CFO.com (revenue recognition project; financial statement presentation project); *Buy-Side Technology* (Statement 157); CNBC *Squawk Box* (Bob Herz interview); *Financial Week* (financial statement presentation project); *Wall Street Journal* (off balance sheet transactions relating to the subprime mortgage crisis); Bloomberg (Statement 133); *Securitization Report* (repurchase financing agreements); Thomson Publications (MBA request re: Statement 114; revenue recognition project). In addition, the department fielded a number of media calls regarding the FASB's letter in response to the SEC Concept Release on IFRS; the FAF Board of Trustees proposal regarding recommended changes affecting the FASB; and the launch of the verification phase of the FASB Codification.
- d. The Communications Department worked with the FASB on developing and promoting the first FASB webcast held on January 8, 2008, entitled *Towards a Global Financial Reporting System: Where Are We and Where Are We Going?* We had 1300 individuals registered to view the webcast.
- e. The Communications Department issued the first quarterly-format *FASB Report* in December 2007. The issue featured an article describing changes to the FASB proposed by the FAF Board of Trustees; new FAF Trustee appointments; not-for-profit accounting updates; and an interview with Jules Cassel, who in January 2008 retired after 35 years with the FASB.
- f. The Communications Department coordinated visits from groups of accounting students from the College of William and Mary (attending the FASAC meeting on 12/6); the University of Rhode Island (attending the SBAC meeting on 12/7); and Creighton University.
- g. The Communications Department hosted preliminary meetings with the FASB, GASB, and FAF to discuss content for the 2007 Annual Report.

ITEM 6: GASB LIAISON ACTIVITIES

- a. FASB meeting minutes were sent to the GASB RTA director and certain GASB staff.

- b. GASB meeting minutes were sent to the FASB chairman and two staff directors.
- c. The GASB RTA director and the FASB PD&S director held monthly meetings and met quarterly with the FASB and GASB chairmen.
- d. The FASB staff distributed the following drafts to the GASB for review:
 - Exposure Draft, *Conceptual Framework for Financial Reporting: Objective of Financial Reporting and Qualitative Characteristics of Decision-Useful Financial Reporting Information*
 - Preliminary Views, *Conceptual Framework—Phase D: Reporting Entity*
 - Proposed FSP FIN 48-b and final FSP FIN 48-2, *Effective Date of FASB Interpretation No. 48 for Nonpublic Enterprises*
 - Proposed FSP SOP 07-1-a, *Effective Date of AICPA SOP 07-1*
 - Proposed FSP FAS 142-f, *Determination of the Useful Life of Intangible Assets*
 - Proposed FSP FAS 157-a, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Its Related Interpretive Accounting Pronouncements That Address Leasing Transactions*
 - Proposed FSP FAS 157-b, *Effective Date of FASB Statement No. 157*
 - Proposed FSP FAS 157-c, *Measuring Liabilities under FASB Statement No. 157*
 - Proposed FSP FAS 140-d, *Accounting for Transfers of Financial Assets and Repurchase Financing Transactions*
- e. The FASB staff received the following GASB draft for review:
 - Exposure Draft, *Fund Balance Reporting and Governmental Fund Type Definitions*.