

REPORT OF THE CHAIRMAN OF THE FASB
TO THE FINANCIAL ACCOUNTING FOUNDATION
May 1, 2009 through July 31, 2009

ITEM 1: TECHNICAL ACTIVITIES

BOARD AND STAFF ACTIVITIES

a. Documents issued:

1. FASB Statement No. 164, *Not-for-Profit Entities: Mergers and Acquisitions* (issued May 2009).
2. FASB Statement No. 165, *Subsequent Events* (issued May 2009).
3. FASB Statement No. 166, *Accounting for Transfers of Financial Assets* (issued June 2009).
4. FASB Statement No. 167, *Amendments to FASB Interpretation No. 46(R)* (issued June 2009).
5. FASB Statement No. 168, *The FASB Accounting Standards CodificationTM and the Hierarchy of Generally Accepted Accounting Principles* (issued June 2009).
6. Proposed FSP FAS 157-f, *Measuring Liabilities under FASB Statement No. 157*. The comment period ended June 1, 2009.
7. Proposed FSP FIN 48-d, *Application Guidance for Pass-through Entities and Tax-Exempt Not-for-Profit Entities and Disclosure Modifications for Nonpublic Entities*. The comment period ended June 17, 2009.
8. Proposed FSP FAS 157-g, *Estimating the Fair Value of Investments in Investment Companies That Have Calculated Net Asset Value per Share in Accordance with the AICPA Audit and Accounting Guide, Investment Companies*. The comment period ended July 8, 2009.
9. Proposed Statement, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*. The comment period ends August 24, 2009.

Projects Added to the Technical Agenda:

1. *Disclosure Framework*. This project is aimed at establishing an overarching framework intended to make financial statement disclosures more effective, coordinated, and less redundant. The project was added in response to requests and recommendations received from several constituents, including the Investors Technical Advisory Committee (ITAC) and the SEC Advisory Committee on Improvements to Financial Reporting (CIFiR). The project objective is not intended to be “additive.” Rather, it will focus on developing a framework for

improved GAAP disclosures. The Board expects to issue a Discussion Paper on preliminary views in the first half of 2010.

- b. Emerging Issues Task Force (EITF):
 - 1. At the July 1, 2009 Board meeting, the Board ratified the consensus-for-exposure reached by the Task Force on Issues No. 08-1, "Revenue Arrangements with Multiple Deliverables," and No. 09-3, "Applicability of AICPA Statement of Position 97-2 to Certain Arrangements That Include Software Elements." The comment periods for the draft abstracts posted to the FASB website for both of those Issues ended on August 14, 2009.
 - 2. At the July 1, 2009 Board meeting, the Board ratified the consensus reached by the Task Force on Issue No. 09-1, "Accounting for Own-Share Lending Arrangements in Contemplation of Convertible Debt Issuance."
- c. Five Board members participated in the June EITF meeting.
- d. Three Board members, several staff members, and the chairman of the IASB's Standards Advisory Council and other invited guests participated in the June meeting of the Financial Accounting Standards Advisory Council. Council members discussed financial instruments, revenue recognition, current and future financial reporting issues, and an assessment and prioritization of the FASB-IASB Memorandum of Understanding.
- e. Four Board members, several staff members, and invited guests participated in the June meeting of the Small Business Advisory Committee (SBAC). Committee members discussed revenue recognition, current and future financial reporting issues, FIN 48 applicability to private companies, and financial statement presentation. The chairman of the FAF also met with the SBAC.
- f. Four Board members and several staff members met in public with the ITAC in June to discuss financial instruments. Two Board members and several staff members also met in a closed session with the ITAC in June to discuss a variety of topics including financial instruments, financial statement presentation, leases, and revenue recognition.
- g. Two Board members, the chairman of the FAF Trustees, and the President of the FAF met in a closed session with four members of the ITAC to discuss matters relating to investor outreach.
- h. Two Board members and several staff members participated in a closed meeting with members of the National Investor Relations Institute's Board of Directors and Senior Roundtable Steering Committee in May. Committee members discussed current issues faced by investor relations professionals, the financial crisis impact and related financial reporting initiatives, financial statement presentation, revenue recognition, and international convergence.

- i. Four Board members participated in a public meeting with members of the Financial Executives International's Committee on Corporate Reporting in June to discuss recent activities. Committee members discussed financial statement presentation, loss contingency disclosures, revenue recognition, pension accounting, and leases. The chairman of the FAF also participated in part of this meeting.
- j. All Board members and the project team on financial instruments met with a financial institution to discuss an expected loss impairment method for financial instruments.
- k. Two Board members and staff met with representatives from The Travelers Companies regarding the pricing of insurance contracts.
- l. Staff members from the revenue recognition project team continued its constituent outreach to further develop the Board's proposed revenue recognition model and understand how it would apply to various industries.
- m. A staff member and a member of the IASB staff met with representatives from Nippon Life Insurance Company to discuss the treatment of equity securities pursuant to the FIRM project.

INTERNATIONAL ACTIVITIES

- a. The chairman, a Board member, and staff attended the fifth (London) and sixth (New York) meetings of the Financial Crisis Advisory Group (FCAG, jointly sponsored by the FASB and the IASB and comprising senior leaders with broad business/governmental experience). The meetings primarily focused on drafts of the FCAG's final report, which was issued on July 28.
- b. FASB staff participated in IASB Board meetings and discussed various technical issues on the Boards' joint projects on fair value measurement; insurance contracts; conceptual framework—measurement and reporting entity; financial instruments with characteristics of liabilities; revenue recognition; discontinued operations; financial statement presentation; leases; and consolidations.
- c. The FASB and the IASB held a triennial joint meeting in London. The Boards' discussions included various technical issues on the Boards' joint projects on insurance contracts; revenue recognition; leases; financial instruments with characteristics of liabilities; financial instruments; and financial statement presentation.
- d. The chairman, Board members, and staff held joint strategy video conference meetings with representatives of the IASB to discuss planning matters on certain joint projects.
- e. The chairman and a Board member traveled to Beijing to meet with members of the Accounting Regulatory Department of the Ministry of Finance of China to discuss accounting developments and continued cooperation.

- f. A Board member participated in the IASB's Consolidation and Derecognition roundtable meetings in Toronto, Tokyo, and London.
- g. The research director attended the IASB conference in Milan.
- h. A Board member participated in the Insurance Working Group meeting in London.
- i. Two Board members participated in the Joint International Group/Financial Instruments Advisory Group meeting in London.
- j. A Board member and staff met with the CRUF (the Corporate Reporting Users' Forum) insurance analysts in London to discuss certain issues related to the IASB/FASB joint insurance contracts project.
- k. The FASB and IASB directors continued their ongoing series of weekly conference calls to discuss technical and administrative matters.
- l. A staff member met with the CFA Institute (the organization that administers the Chartered Financial Analysts program) group of insurance analysts to discuss the IASB/FASB joint insurance contracts project.

OTHER ACTIVITIES

- a. The following professional development sessions were presented to the Board and staff:
 - 1. The FASB held its 18th Fellow Forum. The session included the following presenters and topics: Bob Herz, FASB Chairman, *FASB Update*; Jim Leisenring, IASB Board Member, *IASB Update*; Terri Polley, FAF President and COO, *Washington Update*; Jim Kroeker (1999) Paul Beswick (2005), and Julie Erhardt (1996), SEC Staff Members, *SEC Update*; Russ Golden, FASB Technical Director, *FASB Response to the Credit Crisis*; and Jeff Mahoney (former FASB Project Manager and Washington Liaison), Council of Institutional Investors, *Investor Perspective*.
 - 2. Russell Golden, FASB Technical Director. This session reviewed actions taken by the FASB to understand reporting issues arising from or exacerbated by the global economic crisis. It also reviewed what actions the FASB has taken to respond to those reporting issues.
 - 3. Natalie Cohen is a current member of the Governmental Accounting Standards Advisory Council, representing the Association of Financial Guaranty Insurers. She was formerly the Managing Director of Financial Security Assurance Inc. (FSA), whose principal operating subsidiary guarantees principal and interest on municipal and public infrastructure bonds issued in markets around the world. This session covered municipal bond insurance, how it works, what happened to the industry last year and why, and where it is headed in the future.

4. As part of the GASB 25th Anniversary Forum, Don Beatty, Municipal Finance Officers Association (MFOA); Martin Ives, Former Board member, Paul Pacter, Former GASAC member; Ron Points, General Accounting Office (GAO); Jim Remis, National Council on Governmental Accounting (NCGA); and Relmond VanDaniker, National Association of State Auditors, Comptrollers and Treasurers (NASACT). This session discussed the history of the founding of the GASB, including issues about structuring the organization and the steps taken to develop support for the organization.
5. As part of the GASB 25th Anniversary Forum, Robert H. Attmore, Current GASB Chairman; Richard C. Tracy, Current Board Member; James M. Williams, Current Board Member; William W. Holder, Current Board Member; Marcia L. Taylor, Current Board Member; Jan I. Sylvis, Current Board Member; Michael D. Belsky, Current Board Member; Robert Freeman, Former Board Member; Anthony Mandolini, Former Board Member; Marty Ives, Former Board Member; Cynthia Green, Former Board Member; Paul Reilly, Former Board Member; Tom Allen, Former GASB Chairman; James Antonio, Former Board Chairman; Edward Mazur, Former Board Member; and Gary Harmer, Forman Board Member. Both current and former GASB members discussed issues related to their experiences as a Board member including technical issues, Board chemistry, accomplishments, and outlook for the future.
6. Kathie Bugg, Partner, Deloitte and Touche, LLP and Rich Paul, Partner, Deloitte and Touche, LLP. The objective of this session was to understand the accounting under IAS 12, *Income Taxes*, and IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. These standards were applied to case studies and examples. The session helped participants understand the key differences between IFRS and U.S. GAAP in these areas.
7. Michael J. Mauboussin, Chief Investment Strategist—Legg Mason Capital Management. The presentation focused on why investors need to look to the long term and to recognize that success in investing requires weighing probabilities and outcomes—that is, an expected value mindset, being aware of the factors that distort judgment, and constantly searching for favorable odds while understanding the role of time. Mr. Mauboussin also discussed why investors often look at short-term earnings instead of long-term cash flows and how to reduce that obsession with short-term performance by improving corporate performance reporting and reducing or modifying incentives for corporate managers, as well as incentives for investment managers.
8. Dr. Michael Pakaluk, Professor of Philosophy, the Institute for the Psychological Sciences. Dr. Pakaluk discussed the question of whether accounting is a profession rather than a business and the distinction between the two. In addition, Dr. Pakaluk considered whether accounting qualifies as a profession in the strict sense in which medicine and law are professions. He also addressed the consequences of concluding that accounting is a profession on accountants' professional conduct. Finally, Dr. Pakaluk discussed his views on convergence of U.S. GAAP and IFRS.

ITEM 2: ADMINISTRATIVE AND STRATEGIC ACTIVITIES

- a. All Board members attended the May FAF Trustees meeting.
- b. The chairman of the FAF and the chairman of the FASB issued a detailed response to the recommendations of the SEC Advisory Committee on Improvements to Financial Reporting. The response was posted to the FASB website on August 3.
- c. The chairman, a Board member, and two staff directors participated in the May meeting of the FAF's standard-setting process oversight advisory committee (OAC). The topics discussed included an overview of the FASB's due process during the credit crisis and the role and functioning of its standing advisory groups.
- d. The chairman, a Board member, and two staff directors participated in the July meeting of the FAF's OAC. The topics discussed included a proposed post-implementation review process and the status of various recommendations made by the CIFIIR.

ITEM 3: WASHINGTON ACTIVITIES

- a. Staff members met in person and by phone with Congressional staff to provide briefings on various technical agenda projects.
- b. The chairman, a Board member, the technical director, and a staff member held quarterly meetings with the SEC and the PCAOB to discuss current FASB activities and other matters of mutual interest.
- c. The chairman, Board members, the FAF Chairman, the FAF President, and staff members met with SEC Commissioner Troy Paredes and his counselor in Norwalk to familiarize them with the organization's structure, processes, and technical issues.

ITEM 4: SPEECHES DELIVERED

Principal platforms addressed by the Board and staff members during the May 2009 through July 2009 period include:

- AICPA International Conference
- AICPA – NAATS Conference
- AICPA Annual Not-for-Profit Conference
- AICPA Global Accounting Alliance (GAA)
- American Bankers Association
- Audit Committee Leadership Summit
- BAI CFO Roundtable
- Compliance Week 4th Annual Conference
- Connecticut Society of CPAs (Rocky Hill)
- Connecticut Society of CPAs (Southington)
- Deloitte/Federation of Schools of Accountancy
- Florida Institute of CPAs

- Girl Scouts of the USA
- IASB-IASC-IFRS Conference
- Keefe, Bruyette & Woods
- Massachusetts Society of CPAs (MSCPA)
- National Association of Certified Valuation Analysts
- National Association of Regulatory Utility Commissioners
- New Jersey Society of CPAs
- New York Nonprofit Forum
- North Carolina Association of CPAs (NCCPA)
- Pennsylvania Institute of CPAs (PICPA)
- Standard & Poor’s IFRS Conference
- Stanford University Directors College
- Temple University
- Texas Society of CPAs, Houston Chapter
- The National Press Club
- University of Chicago
- University of Southern California
- University of Washington Financial Reporting Conference
- University of Michigan Public Policy Class
- Urban Institute – Non-Profits in Financial Distress

ITEM 5: ADDITIONAL COMMUNICATIONS ACTIVITIES

- a. The FASB Communications Department issued the following press releases:
1. 5.18.09: Briefing Document: FASB decisions regarding FAS 140 and FIN 46(R)
 2. 5.22.09: FASB Issues Statement No. 164, *Not for Profit Entities: Mergers and Acquisitions*
 3. 5.28.09: FASB Issues Statement No. 165, *Subsequent Events*
 4. 6.3.09: *FASB Accounting Standards Codification* to Officially Launch on July 1, 2009
 5. 6.12.09: FASB Issues Statements 166 and 167 Pertaining to Securitizations and Special Purpose Entities
 6. 6.16.09: Access to the *FASB Accounting Standards Codification* on July 1, 2009
 7. 6.16.09: Media Advisory: FAF and AAA to Provide FASB Codification to Faculty and Students
 8. 6.18.09: FASB Chairman Robert Herz to Address the National Press Club in Washington, DC on June 26
 9. 6.24.09: FASB Issues Exposure Draft on *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*
 10. 7.1.09: *FASB Accounting Standards Codification* Launches Today
 11. 7.8.08: FASB Initiates “Disclosure Framework” Project Aimed at More Useful, Organized, and Consistent Disclosures
 12. 7.28.09: Joint Press Release with IASB: Financial Crisis Advisory Group publishes wide-ranging review of standard-setting activities following the global financial crisis.

- b. The Communications Department issued and distributed electronic and hardbound copies of the 2008 FAF Annual Report.
- c. The Communications Department arranged for Bob Herz to address the National Press Club in Washington, DC on June 26. The Department hosted a table at the event, which was broadcast live on C-SPAN and was covered by major media including Reuters and the Washington Post.
- d. The Communications Department continued to respond to questions and interview requests from major daily and trade media on a variety of standard-setting issues. Highlights: conducted outreach to selected media on U.S. Chamber of Commerce criticisms of recent FSPs; arranged exclusive interview with Benya Appelbaum of the Washington Post on 140/46(R) issues; coordinated/managed interview with Chris Hayes of The Nation on bank lobbying against mark-to-market accounting (and assisted Wall Street Journal with a story on same topic); Bob Herz named among the 100 Most Influential People in the June issue of *Treasury and Risk* magazine; worked with Susan Pulliam of the Wall Street Journal on story about banks and accounting rules; coordinated responses to Jessica Holzer, a reporter with Dow Jones, and Marcy Gordon of the AP, on stories about FAF's hiring of lobbying firm; diffused hostile FASB approach from Bloomberg reporter Jonathan Weil on fair value for financial instruments; arranged and participated in FCAG/Harvey Goldschmid interview with Floyd Norris at NY Times on final FCAG report findings; responded to media inquiries on FASB's reaction to June 15 ITAC letter; responded to Dow Jones press call on Barney Frank's comments on potential FASB project on derivatives/ hedge accounting; worked with Benya Appelbaum at the Washington Post on the FASB's fair value/financial instruments proposal.
- e. Throughout the months of May and June, the Communications Department stepped up its ongoing efforts to promote the July 1, 2009 launch of the FASB Accounting Standards Codification. Every Friday during that period, the Communications Department issued a weekly "Countdown to Codification" e-mail alert to the FASB Action Alert subscriber base. Each alert featured tips for preparers in making a smooth transition to the use of the FASB Accounting Standards Codification. Other outreach included writing a Codification article for the June issue of *Financial Executive* magazine (a publication of FEI); drafting and finalizing a Codification interview for "Kforce Kronicle" newsletter; and setting up various Codification media interviews, most notably an interview with Joe Radigan of Thomson Reuters featuring Larry Smith, Ron Guerrette, and Tom Hoey.
- f. In June, the Communications Department organized and hosted an FASB/FEI webcast entitled "What's New at the FASB?" featuring Russ Golden.
- g. Also in June, the Communications Department coordinated a 2-day "FASB History Forum," bringing together present/former FASB chairs, Board members and staff to discuss and share recollections of pivotal issues during the organization's 35-year history. Moderated by Dale Flesher, a University of Mississippi academic

commissioned by FAF to write a history of the FASB, the sessions were recorded for the FASB archives.

- h. A staff member participated in an interview with the Financial Management News network on Statement 164 and it was released in a video format in July.
- i. Working with the FAF, the Communications Department developed a “media credential” policy that aligns with new security measures for weekly Board meetings and other open FASB meetings.
- j. The Communications Department hired summer intern Mary Sullivan to create a FAF/FASB/GASB “Alumni Association” social network designed to establish and maintain with former staff and Board members on issues of importance to the organizations.
- k. Coordinated/managed Bob Herz interview with Charles Gasparino (CNBC) for forthcoming book about the financial crisis.
- l. Peppercom, an independent media consultant hired by the Communications Department to measure the effectiveness of FAF/FASB/GASB public relation initiatives, issued its Business Outcomes Annual Report in July. From the period between May 1, 2008, to May 31, 2009, Peppercom found that, with the exception of March and April of 2009, *positive coverage has significantly outweighed negative media coverage for all three organizations.*
- m. Coordinated agenda and hosted a group of 28 accounting students on a work study tour from RMIT University in Melbourne, Australia.

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 directors.
- c. The GASB RTA director and the FASB P&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:
 - Final ASU, Consolidations (Topic 810), *Accounting and Reporting for Decreases in Ownership of a Subsidiary: A Scope Clarification*
 - Final Statement, *Not-for-Profit Entities: Mergers and Acquisitions*
 - Final Statement, *Amendments to FASB Interpretation 46(R)*
 - Final Statement, *The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles*
 - Final Conceptual Framework Chapter 1, *The Objective of Financial Reporting*
 - Final Conceptual Framework Chapter 3, *Qualities of, and Constraints on, Useful Financial Information*

- Proposed Statement, *Disclosures about Credit Quality of Financing Receivables and the Allowance for Credit Losses*
 - Proposed FSP FAS 157-g, *Estimating the Fair Value of Investments in Investment Companies That Have Calculated Net Asset Value per Share in Accordance with the AICPA Audit and Accounting Guide*
 - Proposed Conceptual Framework Chapter 2, *The Reporting Entity*
 - Discussion Paper, *Income Taxes*.
- e. The FASB staff received the following GASB drafts for review:
- Financial Instruments Omnibus Exposure Draft
 - Chapter 9 Bankruptcy Exposure Draft
 - Service Concession Arrangements Exposure Draft
 - Certain OPEB Implementation Issues Exposure Draft
 - Proposed Suggested Guidelines for Voluntary Reporting of SEA Performance Information
 - 2009 Update of the Comprehensive Implementation Guide