

REPORT OF THE CHAIRMAN OF THE FASB
TO THE FINANCIAL ACCOUNTING FOUNDATION
November 1, 2008 through January 31, 2009

ITEM 1: TECHNICAL ACTIVITIES

BOARD AND STAFF ACTIVITIES

a. Documents issued:

1. FSP FAS 140-4 and FIN 46(R)-8, *Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities* (December 11, 2008).
2. FSP FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises* (December 30, 2008). (Proposed FSP FIN 48-c also issued.)
3. FSP FAS 132(R)-1, *Employers' Disclosures about Postretirement Benefit Plan Assets* (December 30, 2008).
4. FSP EITF 99-20-1, *Amendments to the Impairment Guidance of EITF Issue No. 99-20* (January 12, 2009). (Proposed FSP EITF 99-20-a also issued.)
5. Proposed FSP FAS 107-a, *Disclosures about Certain Financial Assets: An Amendment of FASB Statement No. 107*. The comment period ended January 15, 2009.
6. Proposed FSP FAS 141(R)-a, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies*. The comment period ended January 15, 2009.
7. Proposed Statement 133 Implementation Issue No. C22, "Exception Related to Embedded Credit Derivatives." The comment period ends February 13, 2009.
8. Proposed FSP FAS 107-b and APB 28-a, *Interim Disclosures about Fair Value of Financial Instruments*. The comment period ends March 2, 2009.
9. Discussion Paper, *Preliminary Views on Revenue Recognition in Contracts with Customers*. The comment period ends June 19, 2009.

b. Projects Added to the Technical Agenda:

1. *Financial Instruments—Complexity in Existing Standards.* After considering input from constituents about the accounting for financial instruments in light of the global financial crisis, a joint project with the IASB was added to the Board's agenda to address the complexity in existing standards of accounting and reporting for financial instruments.
2. *Short-Term Financial Instruments Projects.* Four short-term projects were added to the Board's agenda to address current practice issues related to financial instruments. Those projects are:
 - a. Practice Issues with EITF Issue 99-20 (completed in January 2009)
 - b. Disclosures of Certain Financial Instruments
 - c. Clarification of the Embedded Credit Derivative Scope Exception in Paragraph 14B of FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*
 - d. Recoveries of Other-Than-Temporary Impairments (Reversals).
3. *Amendments to Statement 162 and Approval of the FASB Accounting Standards Codification.* A project was added to the Board's agenda to approve the FASB Accounting Standards Codification as the single source of authoritative U.S. GAAP, effective July 1, 2009, and to make corresponding amendments to FASB Statement No. 162, *The Hierarchy of Generally Accepted Accounting Principles*.

c. Projects Removed from the Technical Agenda:

1. *Accounting for Trading Inventory.* This project was removed from the agenda after receiving mixed reviews on proposed FSP ARB 43-a, *Amendment of the Inventory Provisions of Chapter 4 of ARB No. 43*.
2. *IPR&D Acquired in an Asset Acquisition.* This project was removed from the Board's agenda and will now be addressed by the EITF.

d. Emerging Issues Task Force (EITF):

1. At the November 24, 2008 Board meeting, the Board ratified the consensuses reached at the November 13, 2008 EITF meeting on Issues No. 08-6, "Equity Method Investment Accounting Considerations," No. 08-7, "Accounting for Defensive Intangible Assets," and No. 08-8, "Accounting for an Instrument (or an Embedded Feature) with a Settlement Amount That Is Based on the Stock of an Entity's Consolidated Subsidiary."
2. The Board also ratified the consensuses-for-exposure reached by the Task Force on Issues No. 08-1, "Revenue Arrangements with Multiple Deliverables," and No. 08-10, "Selected Statement 160 Implementation Questions." The comment

- periods for the draft abstracts posted to the FASB website for each of those Issues ended on January 30, 2009, and December 26, 2008, respectively.
- e. Four Board members participated in the November EITF meeting.
 - f. The Board met in public meetings with representatives of the following organizations and discussed matters of mutual interest:
 - 1. AICPA PCPS Technical Issues Committee
 - 2. National Association of College and University Business Officers.
 - g. All Board members, the technical director, and several staff members hosted two roundtable meetings as part of our due process on the Statement 140 and Interpretation 46(R) projects.
 - h. All Board members, the technical director, and several staff members participated in the biannual meeting of the FASB's Small Business Advisory Committee. The main discussion topics included issues and responses related to the recent international financial crisis, international convergence and the future financial reporting for small and private entities, and the FASB's project on loss contingency disclosures.
 - i. All Board members, the technical director, and several staff members participated in the quarterly meeting of the Financial Accounting Standards Advisory Council. The main discussion topics included issues and responses related to the recent international financial crisis and risk management, measuring expected values for financial reporting, and the FASB's project on loss contingency disclosures.
 - j. Four Board members, the technical director, and a few staff members participated in a meeting with the Private Company Financial Reporting Committee (PCFRC). The main discussion topics included a review of the progress of the PCFRC since its inception and the working relationship between the FASB and the PCFRC, convergence and the roadmap for private companies, and the FASB's projects on private company accounting for uncertainty related to income taxes, special-purpose entities, financial statement presentation, and financial instruments with characteristics of equity.
 - k. Four Board members and several staff members participated in the November public meeting of the Investors Technical Advisory Committee (ITAC) in Norwalk. Two Board members and the several staff members also met in a closed session with ITAC on that same day. ITAC provided investor perspectives on a variety of topics including the governance of accounting standard-setting, government activities with respect to their funding of financial institutions and other organizations during the ongoing crisis, and international convergence. ITAC also provided input on four short-term and long-term financial reporting areas: other-than-temporary impairment; federal assistance, including TARP; fair value disclosure; and the FASB's proposed amendments to Statement 140 and Interpretation 46(R).

- l. All Board members and several staff members participated in the January public ITAC meeting in Norwalk. One Board member and the several staff members also met with ITAC in a closed meeting that same day. ITAC provided investor perspectives on a variety of topics including the content and due process associated with the FASB's proposed FSP EITF 99-20-a, *Amendments to the Impairment and Interest Income Measurement Guidance of EITF Issue No. 99-20*, as well as the FASB's project on the disclosure of certain loss contingencies.
- m. Two Board members and the technical director met with representatives from Fannie Mae to discuss the Interpretation 46(R) project.
- n. The technical director and staff met with representatives from the Center for Audit Quality regarding accounting for other-than-temporary impairment (OTTI) of investments.
- o. The technical director and staff met with representatives from the American Council of Life Insurers regarding OTTI.

INTERNATIONAL ACTIVITIES

- a. The chairman and Board members attended the roundtables with the IASB on the global financial crisis. The roundtables held in London, Tokyo, and Norwalk provided FASB and IASB members with the opportunity to hear from a wide range of stakeholders, including users, preparers, and auditors of financial statements, regulators, and others. The roundtables helped the Boards identify accounting issues that may require the urgent and immediate attention of the Boards to improve financial reporting and help enhance investor confidence in financial markets.
- b. The chairman, a Board member, and staff attended the first meeting of the Financial Crisis Advisory Group (jointly sponsored by the FASB and the IASB and comprising senior leaders with broad business/governmental experience) in London. The meeting featured a discussion of where financial reporting has and has not been helpful in identifying concerns during the global financial crisis.
- c. FASB staff participated in IASB Board meetings and discussed various technical issues on the Boards' joint projects on conceptual framework—measurement and reporting entity; derecognition; financial instruments with characteristics of liability; and leases.
- d. The chairman, two Board members, and staff held a joint strategy video conference meeting with representatives of the IASB to discuss planning matters relating to certain joint projects.
- e. The FASB and the IASB held a joint video conference meeting and resolved differences arising in their separate meetings relating to the joint project on leasing.
- f. A Board member attended various meetings of a working group sponsored by the Financial Stability Forum on issues relating to the global financial crisis in Paris.

- g. Two Board members and several staff members met with representatives of the Accounting Standards Board of Japan (ASBJ). The meeting was the sixth in a series of discussions between the ASBJ and the FASB designed to enhance dialogue between the two Boards in their shared pursuit of global convergence of accounting standards. As part of the meeting, representatives of the Boards discussed their respective strategies toward a single set of global standards. They also discussed standard-setters' responses to the recent international financial crisis. In addition, representatives of both Boards exchanged their views on the current status of their work on the following projects: conceptual framework; consolidation, including special-purpose entities, and derecognition; financial instruments with characteristics of equity; financial instruments—improvements to recognition and measurement; and financial statement presentation.
- h. The FASB and IASB directors continued their ongoing series of weekly conference calls to discuss technical and administrative matters.
- i. A staff member participated in the IASB's Insurance Working Group meeting in London.
- j. The Board met several times to discuss draft responses to the SEC's proposed roadmap.

OTHER ACTIVITIES

- a. The Board discussed whether it should change the comment period requirements in its Rules of Procedure to ensure its ability to respond timely to financial reporting emergencies. The IASB is considering similar changes. The Board will consider the outcome of the IASB discussions in developing our procedures in this area.
- b. The Board discussed a staff proposal for strengthening post-implementation review procedures, as recommended by the FAF Trustees and the CIFiR. The Board tentatively agreed on the review objectives, staff and Board responsibilities, and the nature and timing of likely review procedures.
- c. The following professional development sessions were presented to the Board and staff:
 - 1. Shan Nemeth, John Sarno, and Paul Beauchamp, Partners, Deloitte and Touche, LLP. The objective of this session was to understand the accounting under IFRS 2, *Share-based Payment*, and IAS 18, *Revenue*. 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.
 - 2. Kim Petrone, FASB Senior Project Manager; Regenia Cafini, FASB Project Manager; and Denise Gomez Soto, IASB Project Manager. The objective of this session was to provide an overview of the Discussion Paper on the presentation of information in the financial statements that was issued as part of a joint project of the IASB and the FASB in October 2008. The discussion focused on the

- presentation model proposed in the Discussion Paper, how the model addresses the objectives and principles of financial statement presentation, and the implications of the objectives and principles on each financial statement and the notes. In addition, there was a brief discussion of the field test that is currently in process.
3. Mike Morrissey, Stuart Moss, and Dan Murdock, Partners, Deloitte and Touche, LLP. The objective of this session was to understand the accounting under IFRS 3, *Business Combinations*, IAS 36, *Impairment of Assets*, and IAS 38, *Intangible 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.
 4. Brenda Catugno, Financial Services Representative, Financial Planner, and Investment Specialist, Met Life. The objective of this session was to provide employees with valuable information about using trusts as an estate planning tool, learning how to minimize estate and income tax liability, and how to distribute your assets according to your desires. In addition, Ms. Catugno discussed how to understand your retirement income sources, how to turn your 403(b) balance into income, your risk of outliving your retirement income, and how to establish a retirement income strategy that you cannot outlive.
 5. Kevin P. Demshak, Certified Financial Planner, Fidelity Brokerage Services. The objective of this session was to provide employees with valuable information about how to allocate investments strategically, the characteristics of the three basic asset classes (stocks, bonds, and short-term), developing and implementing a plan for the future, and services available to help make investment decisions.
 6. Gregory Waymire, Professor, Emory University. This presentation covered the evolution of accounting as an economic institution over the period ranging from the first known use of accounting in the first human settlements in ancient Mesopotamia (ca. 8,000 BCE) through modern times. Specific topics covered included (a) the importance of basic accounting records, (b) the role of informal norms in influencing accounting practice, (c) the origins of income reporting and disclosure, and (d) the role of the human brain in shaping the broad contours of accounting principles. The session involved presentation with ample time for follow-up Q&A.
 7. Randall Sogoloff, Maria Davis, and Ignacio Perez, Partners, Deloitte and Touche, LLP. The objective of this session was to understand the accounting under IAS 16, *Property, Plant and Equipment*, and IAS 17, *Leases*. 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.
 8. FASB Practice Fellows Shea Malcolm, Jamie Mayer, Diane Inzano, Chad Bonn, Brad Homant, and Adrian Mills. They provided an update on the fellows' recent activities related to the EITF and to FSPs.

EXTERNAL CONFERENCES

- a. Staff members attended the following conferences:
 1. KPMG's 20th Annual Insurance Industry Conference in New York.
 2. FEI's Current Financial Reporting Issues Conference 2008 in New York.
 2. National Conference on Current SEC and PCAOB Developments in Washington, DC and New York.

ITEM 2: ADMINISTRATIVE AND STRATEGIC ACTIVITIES

- a. All Board members attended the November FAF Trustees meeting.

ITEM 3: WASHINGTON ACTIVITIES

- a. 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.
- b. The chairman, other Board members, and senior staff members held a number of meetings and discussions with the financial institution regulators about accounting and reporting issues emanating from the credit crisis.
- c. Staff members conferred with officials of the U.S. Department of the Treasury regarding implementation of the Emergency Economic Stabilization Act of 2008.
- d. The chairman, two Board members, the technical director, the director of planning and support, and a staff member held quarterly meetings with the SEC and the PCAOB to discuss current FASB activities and other matters of mutual interest.
- e. The chairman, the Financial Accounting Foundation President, and FAF staff met with Representative Jim Himes (D-CT).

ITEM 4: SPEECHES DELIVERED

Principal platforms addressed by the Board and staff members during the November 2008 through January 2009 period include:

- AICPA 2008 Not-for-Profit Financial Executive Forum
- AICPA National Banks and Savings Institutions Conference
- AICPA Conference on SEC and PCAOB Developments
- American Accounting Association FARS
- Associated General Contractors of America—Tax and Fiscal Affairs Committee
- Bermuda Insurance Club
- CFA Institute
- Current Financial Reporting Issues Conference

- Executive Enterprise Institute (EEI), FASB/SEC Accounting Institute
- FEI 2008 Current Financial Reporting Issues Conference
- Harvard Law School International Finance Seminar
- Illinois State Society of CPAs
- Institute of International Finance—Three Way Dialog
- Joint AICPA & ASA Business Valuation Conference
- Knowledge Congress Webcast
- MIT CFO Summit
- Moore Stephens North America Audit & Accounting Conference (MSNA)
- National Federation of Municipal Analysts (NFMA)
- NYSSA Annual Conference
- Oklahoma State University Financial Reporting Conference
- Ohio Society of Certified Public Accountants
- SEC Institute Conference
- SEC/FASB 2009 Conference—NYSSCPA/FAE
- Stamford CFA Society Annual Forecast Conference
- Stamford CPA Society
- The Hildebrandt Institute
- University of Southern Florida
- Washington Society of CPAs

ITEM 5: ADDITIONAL COMMUNICATIONS ACTIVITIES

- a. The FASB Communications Department issued the following press releases:
 1. IASB and FASB to Hold First Round Table on Global Financial Crisis in London on 14 November 2008 (*joint press release with IASB*);
 2. ASB and FASB Announce Dates for US and Asian Round-Tables on Global Financial Crisis (*joint press release with IASB*);
 3. Hans Hoogervorst and Harvey Goldschmid to Co-Chair Advisory Group Considering Financial Reporting Issues Arising from Global Economic Crisis (*joint press release with IASB*);
 4. FASB to Issue FSP FAS 140-4 and FIN 46(R)-8, *Disclosures about Transfers of Financial Assets and Interests in Variable Interest Entities*, by December 15, 2008;
 5. Accounting Standards Board of Japan Meets with Financial Accounting Standards Board to Discuss Global Convergence;
 6. FASB Accounting Standards Codification Expected to Officially Launch on July 1, 2009;
 7. FASB Issues FSP FAS 140-4 and FIN 46(R)-8, *Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities*;
 8. FASB Issues Proposed FASB Staff Position FAS 141(R)-a, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies*;

9. IASB and FASB Propose Joint Approach for Revenue Recognition (*joint press release with IASB*);
 10. FASB Issues First of Two Proposed Staff Positions to Improve the Financial Reporting for Financial Instruments;
 11. FASB Issues Proposed Staff Position to Improve the Financial Reporting for Financial Instruments;
 12. IASB and FASB Announce Membership of Financial Crisis Advisory Group (*joint press release with IASB*);
 13. FASB Issues Staff Position FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*.
- b. Media interviews were conducted with Dan Fried of thestreet.com (11.13.08, off-balance-sheet vehicles discussion with Pat Donoghue); Steven Mintz of CFO.com (11.21.09, Statement 142 write-offs discussion with Kristofer Anderson); Glenn Cheney of *Accounting Today* (12.17.08, FSP FAS 140-4 and FIN 46R-8 discussion with Pat Donoghue); Leela Parker of *Total Securitization News* (12.22.08, discussion about FSP EITF 99-20-a with FASB fellow Adrian Mills); and John Hintze of *Asset Securitization Report* (1.05.09, FSP EITF 99-20—a discussion with Adrian Mills). Other interviews were conducted with Bloomberg, the *New York Times*, the *Wall Street Journal*, and other national publications about FASB standards concerning changes to financial instruments and treatments for off-balance-sheet vehicles.
 - c. The Communications Department distributed the *FASB Report* in December 2008. Articles focused on the July 1, 2009 launch of the official FASB Codification; Financial Statement Presentation Discussion Paper; appointment of Marc Siegel to the FASB; and listing of upcoming speaking engagements.
 - d. The department assisted FASB member Marc Siegel with a column in *Accounting Today—Making Financial Statements Better: FASB and IASB seek input on proposal for major changes to financial statement presentation*, which will appear in an upcoming issue.
 - e. The department arranged a one-on-one informational interview for Jennifer Hughes, accountancy reporter for *Financial Times*, and Robert Herz.
 - f. Neal McGarity joined Ned Regan for a breakfast event featuring David Reilly of *The Wall Street Journal* and Sir David Tweedie of the International Accounting Standards Board.
 - g. The department worked with the FASB's Financial Statement Presentation project team on a webcast designed to encourage constituents to review and weigh in on the proposed changes to financial statement presentation contained in the FASB/IASB discussion paper. Moderated by FASB member Marc Siegel, the webcast featured panelists Kim Petrone (FASB), Peter Bridgman (PepsiCo), Greg Jonas (Moody's) and Joe Joseph (Putnam Investments).

- h. The department worked with Alicia Posta, Executive Director, FASB Advisory Groups, FASB project manager Paul Glotzer, and Mitchell Slepian and Robert Durak of the AICPA to create a press kit for PCFRC.
- i. The department worked with the Washington team to refine messaging regarding the credit crisis and related political pressures directed at accounting standards.
- j. The department began working with its consultants on the 2008 FAF Annual Report, reviewing and editing the preliminary draft of the Chairman's letter as submitted by consultant David Dann. The department also worked with Inergy on preliminary book designs.
- k. The department resumed its work with FASB project manager Paul Glotzer and Mitchell Slepian and Robert Durak of the AICPA to put finishing touches on a press kit for PCFRC.
- l. The department worked with Tom Hoey, Larry Smith, and Ron Guerrette to complete an informational Q and A document designed to raise awareness of July 1, 2009, as the date the FASB Codification is expected to go "live." The document is now posted on the Codification website.
- m. The department met with Marion Abercrombie of Business Wire to discuss continued use of the wire service in 2009.
- n. Joanna Romersa conducted a number of student tours:
 - 1. Professor Kim Smith and several other faculty members along with 51 of their Master of Accounting Students from the College of William & Mary visited the FASB. Since there was no meeting scheduled, we coordinated a presentation which included Meghan Clark (PTA) giving an overview of the FASB, and a talk by Ray Pfeiffer on IFRS. Tom Linsmeier ended with a Q&A.
 - 2. Professor Tom Shimerda of Creighton University made his annual visit to the FASB with 11 of his undergraduate students. They observed a short Board meeting, followed by a 15-minute education session, and then Tom Linsmeier did a brief Q&A for them.

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 planning & support 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 FSP FAS 140-4 and FIN 46(R)-8, *Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities*
 - Final FSP FAS 132(R)-1, *Employers' Disclosures about Postretirement Benefit Plan Assets*
 - Final FSP EITF 99-20-1, *Amendments to the Impairment Guidance of EITF Issue No. 99-20*
 - Proposed FSP FAS 141(R)-a, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies*
 - Proposed FSP FAS 07-a, *Disclosures about Certain Financial Assets: An Amendment of FASB Statement No. 107*
 - Proposed FSP FAS 107-b and APB 28-a, *Interim Disclosures about Fair Value of Financial Instruments*
 - Proposed Statement 133 Implementation Issue, "Exception Related to Embedded Credit Derivatives."
- e. The FASB staff received the following GASB drafts for review:
- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*
 - GASB Implementation Guide for GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*.