

REPORT OF THE CHAIRMAN OF THE FASB
TO THE FINANCIAL ACCOUNTING FOUNDATION
February 1, 2009 through April 30, 2009

ITEM 1: TECHNICAL ACTIVITIES

BOARD AND STAFF ACTIVITIES

a. Documents issued:

1. Final FSP FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments* (April 9, 2009).
2. Final FSP FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments* (April 9, 2009). (Also proposed FSP FAS 115-a, FAS 124-a, and EITF 99-20-b, *Recognition and Presentation of Other-Than-Temporary Impairments*, was issued. The comment period ended April 1, 2009.)
3. Final FSP 141(R)-1, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies* (April 1, 2009).
4. Final FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* (April 9, 2009). (Also proposed FSP FAS 157-e, *Determining Whether a Market Is Not Active and a Transaction Is Not Distressed*, was issued. The comment period ended April 1, 2009.)
5. Proposed Statement, *The Hierarchy of Generally Accepted Accounting Principles*. The comment period ended May 8, 2009.
6. Proposed Statement, *Rescission of FASB Technical Bulletin No. 01-1, Nullification of EITF Topics No. D-33 and No. D-67, Amendments, and Technical Corrections*. The comment period ended May 15, 2009.
7. Discussion Paper, *Leases: Preliminary Views*. The comment period ends July 17, 2009.

Projects Added to the Technical Agenda:

1. *Determining Whether a Market Is Not Active and a Transaction Is Not Distressed*. This short-term project provided additional application guidance on determining fair value as it relates to (a) distinguishing active and inactive markets and (b) identifying distressed sales. That project was completed on April 9th through the issuance of FSP FAS 157-4 (see item 4 above).

2. *Improving Disclosures about Fair Value Measurements.* This project enhanced the disclosure requirements of FASB Statement No. 157, *Fair Value Measurements*, by considering the need for disclosures in areas such as (a) sensitivity of measurements and (b) transfers between levels.
 3. *Applying Fair Value to Interests in Alternative Investments.* A project was added to consider the measurement basis for interests in alternative investments based on net asset value. The project will consider any feedback received by the AICPA on its project in this area.
 4. *Deferred Tax Assets and Liabilities on Available-for-Sale Debt Securities.* This project will reconsider the existing accounting for deferred tax assets and liabilities on available-for-sale debt securities that are expected to be held to recovery.
 5. *Oil and Gas Disclosures.* This project will reconsider existing GAAP disclosures relating to oil and gas disclosures reserves in light of recent changes to SEC disclosures in this area.
 6. *Treatment of Base Jackpot Liabilities of Casinos.* An annual improvements project was added to the Board's agenda, the first item being the issue of the treatment of base jackpot liabilities of casinos.
 7. *Reconsideration of the Scope of Statement 160.* This project will reconsider the scope of FASB Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements*, particularly as it relates to real estate operations.
 8. *Other-Than-Temporary Impairments.* This project reconsidered existing guidance for other-than-temporary impairments. This project was completed on April 9th through the issuance of FSP FAS 115-2 and FAS 124-2 (see item 2 above).
- b. Emerging Issues Task Force (EITF):
1. At the April 1, 2009 Board meeting, the Board ratified the consensus-for-exposure reached by the Task Force on Issues No. 08-9, "Milestone Method of Revenue Recognition," and No. 09-1, "Accounting for Own-Share Lending Arrangements in Contemplation of Convertible Debt Issuance." The comment periods for the draft abstracts posted to the FASB website for both of those Issues ended on May 5, 2009.
- c. Five Board members participated in the March EITF meeting.
- d. Five Board members, several staff members, and invited guests participated in the March meeting of the Financial Accounting Standards Advisory Council.

- e. The Board held public roundtable discussions to listen to the views of and obtain information from respondents to the 2008 FASB Exposure Draft, *Disclosure of Certain Loss Contingencies*.
- f. Four Board members and several staff members met in a closed administrative meeting with the Investors Technical Advisory Committee in New York. Two Board members and several staff members also met in a closed meeting with the Investors Technical Advisory Committee to discuss a variety of topics including financial instruments and revenue recognition.
- g. Two staff members participated in a meeting with members of the American Petroleum Institute's Accounting Committee. Committee members discussed the FASB's projects on emission trading schemes and oil and gas disclosures.
- h. Two Board members participated in a meeting with members of the Institute of Management Accountant's Financial Reporting Committee to discuss recent activities.
- i. Two Board members, the technical director, and staff met with representatives from the American Securitization Forum regarding linked presentation.
- j. The revenue recognition project team reached out to and met with various constituents to discuss the revenue recognition Discussion Paper including representatives from:
 - The Big 4
 - The Biotechnology Industry Organization
 - Technology industry (e.g., Apple, Microsoft, HP, Dell, Oracle, Cisco, Intel)
 - Aerospace & defense industry (e.g., Boeing, Raytheon, General Dynamics, Northrop Grumman)
- k. A staff member worked with revenuerecognition.com to structure a web survey on the revenue recognition Discussion Paper.
- l. Two Board members and staff participated in a meeting with a number of constituents to discuss the cost and benefits of a direct method cash flow statement.

INTERNATIONAL ACTIVITIES

- a. The chairman, several Board members, and staff attended the second, third (New York City), and fourth (London) meetings of the Financial Crisis Advisory Group (jointly sponsored by the FASB and the IASB and comprising senior leaders with broad business/governmental experience). The meetings featured discussions of an array of topics, including:
 - The role of and audience for financial reporting
 - Loan provisioning
 - Fair value (including mark-to-market) accounting

- Improvement and simplification of accounting and reporting of financial instruments
 - Off-balance-sheet items (consolidation/derecognition standards)
 - Standard-setter governance, due process, and agenda priorities
 - Written submissions received from constituents.
- 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; recognition and measurement; emissions trading schemes; discontinued operations; earnings per share; and other-than-temporary impairment.
- 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 conceptual framework; consolidations/derecognition; fair value measurement; financial instruments; financial statement presentation; and provisioning.
- d. The chairman, Board members, and staff held joint strategy video conference meetings with representatives of the IASB to discuss planning matters relating to certain joint projects.
- e. A Board member and the research director met with representatives of the Accounting Standards Board of Japan (ASBJ) in Tokyo. The meeting was the seventh 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. The following matters were discussed: the two Boards' respective strategies toward a single set of global standards, standard-setters' responses to the recent international financial crisis, the current status of 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; emissions trading schemes; and financial statement presentation.
- f. A Board member and the research director attended the International Accounting Standards Symposium in Tokyo.
- g. The research director attended a meeting of the National Standards Setters in Johannesburg. Several technical issues and various due process issues were discussed.
- h. The FASB and IASB directors continued their ongoing series of weekly conference calls to discuss technical and administrative matters.

OTHER ACTIVITIES

- a. The following professional development sessions were presented to the Board and staff:

1. Kenny Bement, FASB Assistant Project Manager; Chad Bonn, FASB Practice Fellow; Kristen Mathys, FASB Postgraduate Technical Assistant; and Adam Van Eperen, FASB Postgraduate Technical Assistant. Preliminary Views on Revenue Recognition in Contracts with Customers. In December 2008, the FASB and the IASB issued a Discussion Paper, *Preliminary Views on Revenue Recognition in Contracts with Customers*. In this session, the presenters discussed the principles for recognizing revenue and measuring rights and obligations in contracts with customers. The presenters also discussed how the Boards' proposals might affect present practice. Participants had the opportunity to apply the Boards' proposed model to a hands-on case study.
2. Sam McCall, CGFM, CPA, CIA, Tallahassee City Auditor and AGA Past National President; and Ken Smith, Ph.D., CPA, Professor at Willamette University in Oregon, and AGA's Academic Adviser for the SEA Program. SEA: Taking Accountability and Transparency to a New Level—An AGA Training Audio Conference. The objective of the session was to understand the efforts made by governments in performance reporting and how the 16 criteria in GASB Special Report, *Reporting Performance Information: Suggested Criteria for Effective Communication*, have affected such reporting.
3. Louis Eccleston—Executive Managing Director, Fixed Income & Risk Management Group; Michael Thompson—Managing Director, Market Credit and Risk Strategies; Bob Keiser—Senior Director, Market, Credit and Risk Strategies; and Catherine Barratt—Director; Valuation Scenario Services. Valuation Scenario Services for Structured Asset Portfolios. The speaker group explained Standard & Poor's Valuation Scenario Services' methodology for assessing the intrinsic value of structured finance portfolios under a range of different assumptions and economic scenarios. The group discussed the challenges currently faced in valuing structured assets, described their approach, highlighted the benefits of intrinsic valuation, and walked through a case study for valuing a structured asset.
4. Professor Christian Leuz, the Joseph Sondheimer Professor of International Economics, Finance, and Accounting at the University of Chicago Booth School of Business. Global Accounting Convergence and the Potential Adoption of IFRS by the United States: An Analysis of Economic and Policy Factors. The FASB attached Professor Leuz's study to its comment letter to the Securities and Exchange Commission (SEC) on the SEC's *Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards*. At this session, Professor Leuz discussed the February 2009 Report, *Global Accounting Convergence and the Potential Adoption of IFRS by the United States: An Analysis of Economic and Policy Factors*, that he co-authored with Luzi Hail, Assistant Professor of Accounting at the Wharton School of Business, and Peter Wysocki, Associate Professor of Accounting at the MIT Sloan School of Management. His presentation focused on an analysis of

economic and policy factors surrounding a possible decision by the SEC to mandate that publicly listed U.S. companies prepare and file with International Financial Reporting Standards (IFRS). He covered his analysis of whether IFRS should be adopted in the United States and, if it is, what economic and political ramifications might result.

5. David Runkle, Director of Quantitative Research for Trilogy Global Advisors, LLC, and Member of the Financial Accounting Standards Advisory Council; and Andrew Lo, Harris & Harris Group Professor of Finance at the MIT Sloan School of Management and Director of MIT's Laboratory for Financial Engineering and Chief Scientific Officer—AlphaSimplex Group, LLC. Filling the GAAP: A Proposal to Establish Generally Accepted Risk Accounting Practices. The presenters discussed the broader implications of the IASB's Expert Advisory Panel's Report, "Measuring and Disclosing the Fair Value of Financial Instruments in Markets That Are No Longer Active," on fair value accounting. The presenters also discussed a framework for risk accounting. Their discussion focused on practices used for measuring the fair value of financial instruments and the need to strengthen standards to achieve better disclosures about valuations, methodologies, and the uncertainty associated with valuation.
6. Dean Mead, GASB Research Manager. A National Association of State Auditors, Comptrollers, and Treasurers (NASACT) Audio Conference: Overview of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of the session was to understand the final requirements of Statement 54, which was issued in March 2009. The presenter discussed how Statement 54 is expected to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

EXTERNAL CONFERENCES

- a. Staff members attended the following conferences:
 1. The 8th Annual Financial Reporting Conference at the Robert Zicklin Center for Corporate Integrity, Baruch College, NYC
 2. Clearlines Communications, Business Writing Seminar—Norwalk, CT

ITEM 2: ADMINISTRATIVE AND STRATEGIC ACTIVITIES

- a. All Board members attended the February FAF Trustees meeting.
- b. The chairman and the P&S director participated in a meeting of the FAF oversight committee at which CIFiR recommendations, post-implementation reviews, and the leadership agenda were discussed. The result of that and a follow-up administrative meeting was the decision to form a working group including representatives of FASB, GASB, and the FAF to develop a proposal for consideration by the FAF Oversight Committee.

ITEM 3: WASHINGTON ACTIVITIES

- a. Staff members met in separate meetings with various staff of Congressional committees and financial regulators 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. The chairman testified before the Capital Markets, Insurance and Government Sponsored Enterprises Subcommittee of the House Financial Services Committee on mark to market accounting.
- d. The chairman, one 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.
- e. The chairman, Board members, the President of the FAF, and staff members met with several SEC Commissioners and a PCAOB Board member in Norwalk to familiarize them with the organization's structure, processes, and technical issues.
- f. The chairman and staff members met in Washington with senior Congressional members of the House Financial Services committee to discuss the approved Board guidance on fair value and impairments of debt securities.
- g. Staff met a couple of times with Congressional staff to discuss fair value accounting.
- h. Staff met with representatives of the U.S. Treasury Department to brief them on our projects to amend FAS 140 and FIN 46(R).

ITEM 4: SPEECHES DELIVERED

Principal platforms addressed by the Board and staff members during the February 2009 through April 2009 period include:

- American Academy of Actuaries
- American Council of Life Insurers
- Baruch College
- CFA Institute 2009 Annual Conference
- Council for Advancement & Support of Education (CASE)
- Connecticut Society of CPAs (CSCPA)
- ELFA Equipment Leasing & Finance Association Executive Committee Roundtable
- FDIC – Banking Regulators Conference Interagency Accounting Conference

- Foundation Financial Officers Group (FFOG)
- Grant Thornton International Issues Group
- Healthcare Financial Management Association (HFMA)
- Institutional Investors Corporate Funds Roundtable
- National Association of College & University Business Officers (NACUBO)
- Ohio Council IMA & Kent State University
- Public Company Accounting Oversight Board (PCAOB)
- Suffolk University
- Tax Executives Institute 2009 Midyear Conference
- The Lubin School of Business
- University of Southern Florida
- University of Utah
- Wake Forest University
- Wayne State University

ITEM 5: ADDITIONAL COMMUNICATIONS ACTIVITIES

- a. The FASB Communications Department issued the following press releases:
1. 2.18.09: FASB Initiates Projects to Improve Measurement and Disclosure of Fair Value Estimates
 2. 3.12.09: FASB Chairman Robert H. Herz Testifies on Mark-to-Market Accounting
 3. 3.13.09: Accounting Standards Board of Japan Meets with Financial Accounting Standards Board to Discuss Global Convergence
 4. 3.17.09: FASB Issues Proposals to Improve Guidance on Fair Value Measurements and Impairments
 5. 3.19.09: IASB and FASB Launch Public Consultation on a Future Standard on Lease Accounting
 6. 3.24.09: IASB and FASB Announce Further Steps in Response to Global Financial Crisis
 7. 3.31.09: FASB to Host Press Conference to Discuss Proposals to Improve Guidance on Fair Value Measurements and Impairments
 8. 4.6.09: Additional Briefing Document Regarding 4/2/09 FASB's Fair Value and OTTI FSPs
 9. 4.9.09: FASB Issues Final Staff Positions to Improve Guidance and Disclosures on Fair Value Measurements and Impairments.
- b. The Communications Department hosted a press conference featuring Bob Herz and Russ Golden addressing issues and decisions made at the April 2 Board meeting regarding issuance of FSPs on fair value and other-than-temporary impairments. In addition, the Department spent a large amount of time both before and after the press conference responding to reporter questions about the effects of the proposed FSPs.

- c. The Communications Department continued to respond to questions and interview requests from major daily and trade media regarding issues primarily relating to fair value accounting. Highlights of the department’s media outreach include a Bob Herz interview with Floyd Norris of the New York Times, as well as interviews with the Wall Street Journal, USA Today, Dow Jones, and other major media outlets.
- d. The Communications Department distributed the First Quarter *FASB Report* in March 2009. Articles focused on new appointments to the FAF Board of Trustees; the May 5 FASB Fellows Forum; and the July 1, 2009 launch of the official FASB Codification.
- e. The Communications Department completed and distributed the 2009 edition of *Facts about FASB*.
- f. The Communications Department completed work on the 2008 FAF Annual Report, submitting final copy for publication in late April.
- g. The Communications Department scheduled a speaking engagement for Bob Herz at the National Press Club on June 26th.
- h. The Communications Department managed media at two speaking engagements featuring Bob Herz at Baruch College and Pace University.
- i. The Communications Department coordinated the following student visits:
 - 1. Professor Irani from the University of New Hampshire visited the FASB with a group of 17 of his masters of accounting students. They make an annual trip to New York where they tour the AICPA, PCAOB, SEC, etc. Meghan Clark presented an overview of the FASB, followed by Ray Pfeiffer speaking about IFRS. Tom Linsmeier then joined them for a Q&A. The feedback that I received after the visit was that it “exceeded their expectations and stimulated much lively conversation on the bus ride.”
 - 2. A group of students from Texas A&M observed a Board meeting. This was organized and hosted by Greg Schoenfeld.
 - 3. Professor Scott Lane and 12 of his students from Quinnipiac observed the revenue recognition segment of the Board meeting. After the meeting Ray and Megan did a Q&A session to help them understand the proceedings.
 - 4. A group of 10 (including Professor John Rossi) from the Moravian College Accounting Club also observed the Board meeting and attended the Q&A.

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 Statement, *Not-for-Profit Entities: Mergers and Acquisitions*
 - Final Statement, *Subsequent Events*
 - Final Statement, *Going Concern*
 - Final Statement, *Accounting for Transfers of Financial Assets*
 - Final FSP FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*
 - Proposed Statement, *Rescission of FASB Technical Bulletin No. 01-01, Nullification of EITF Topics No. D-33 and No. D-67, Amendments, and Technical Corrections*
 - Proposed FSP FAS 157-f, *Measuring Liabilities under FASB Statement No. 157*
 - Proposed FSP FIN 48-d, *Application Guidance for Pass-through Entities and Tax Exempt Not-for-Profit Entities, and Disclosure Modifications for Nonpublic Entities*
 - Discussion Document, *Preliminary Views on Lease Accounting*.
- e. The FASB staff received the following GASB drafts for review:
 - Invitation to Comment, *Pension Accounting and Financial Reporting*
 - GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in AICPA Statements on Auditing Standards*.