

REPORT OF THE CHAIRMAN OF THE FASB
TO THE FINANCIAL ACCOUNTING FOUNDATION
February 1, 2007 through April 30, 2007

ITEM 1: TECHNICAL ACTIVITIES

BOARD AND STAFF ACTIVITIES

- a. The following documents were issued and posted to the website:

Final Documents

1. Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (February 15, 2007)
2. FSP FAS 158-1, “Conforming Amendments to the Illustrations in FASB Statements No. 87, No. 88, and No. 106 and to the Related Staff Implementation Guides” (February 21, 2007)
3. FSP FIN 39-1, “Amendment of FASB Interpretation No. 39” (April 30, 2007).

Exposure Drafts and Other Proposals

1. Exposure Draft, *Accounting for Financial Guarantee Insurance Contracts* (April 18, 2007)
2. FSP FIN 48-a, “Definition of *Settlement* in FASB Interpretation No. 48” (February 27, 2007)
3. FSP FAS 154-a, “Considering the Effects of Prior-Year Misstatements When Quantifying Misstatements in Current-Year Financial Statements” (March 13, 2007)
4. Proposed FASB Statement 133 Implementation Issue No. C21, “Whether Options (Including Embedded Conversion Options) Are Indexed to both an Entity’s Own Stock and Currency Exchange Rates” (April 19, 2007).

- b. The following projects were added to the Board’s technical agenda:

1. Loan Disclosures (January 30, 2007)
2. Implementation Guidance for Interpretation 48 (February 7, 2007)
3. Emission Allowances (February 21, 2007)
4. Valuation of Commodity Inventory and Emission Allowances That Are Acquired for Resale (March 8, 2007)
5. Useful Life and Amortization of Renewable Intangible Assets (March 21, 2007)
6. Discontinued Operations (April 18, 2007).

- c. The Board decided not to issue final guidance on Statement 133 Implementation Issue No. H17 and removed the project from its agenda. The Board will address application of cash flow hedging and other issues when it considers an agenda decision on a broader derivatives project.

- d. On March 27, 2007, the Board held a roundtable discussion with interested parties and discussed issues associated with 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*.
- e. On April 30, 2007, the Board held a roundtable discussion with interested parties and discussed issues associated with the Invitation to Comment, *Valuation Guidance for Financial Reporting*.
- f. Seven Board members participated in the March 15, 2007 EITF meeting.
- g. At the March 28, 2007 Board meeting, the Board ratified the consensus reached at the March 15, 2007 EITF meeting on Issue No. 06-10, "Accounting for Collateral Assignment Split-Dollar Life Insurance Arrangements."
- h. The Board also ratified a tentative conclusion reached at the March 15, 2007 EITF meeting on Issue No. 07-3, "Accounting for Nonrefundable Advance Payments for Goods or Services to Be Used in Future Research and Development Activities," and approved the exposure of a draft abstract for the Issue for a public comment period ending May 3, 2007.
- i. Various FASB staff members attended an AcSEC meeting.
- j. Six Board members participated in the March meeting of the Financial Accounting Standards Advisory Council.
- k. The chairman, a Board member, and staff met with representatives from National Investors Relations Institute to discuss matters of mutual interest.
- l. Three Board members and staff met with Rob Bloomfield of Cornell University to discuss the new Financial Accounting Standards Research Initiative.
- m. Three Board members, the director of TA&I, and staff met with representatives from FEI/CCR to discuss matters of mutual interest.
- n. Two Board members, the director of TA&I, and staff met with Greg Martin of Greenwich Capital to discuss the Statement 133 Shortcut Method.
- o. Three Board members attended a meeting with representatives from the American Bankers Association to discuss matters of mutual interest.
- p. Representatives from General Electric provided an educational session on lease pricing to two Board members, the MP&T director, and lease project staff.
- q. A representative of Silicon Economics presented an approach to defining and measuring income to a Board member, the MP&T director, and selected staff.

INTERNATIONAL ACTIVITIES

- a. Two Board members, the MP&T director, and a staff member participated in the IASB/FASB Working Group on Lease Accounting meeting in London.
- b. The TA&I director observed an IFRIC meeting in London.
- c. A Board member participated in the National Standards Setters meeting in Hong Kong.
- d. The FASB and the IASB held a semiannual joint meeting in London. The Boards discussions included various technical issues on the Boards' joint projects on business combinations, the conceptual framework, leases, intangible assets, and liabilities and equity.
- e. A staff member held six meetings in London with respondents to our conceptual framework discussion paper to discuss views about stewardship and accountability as objectives of financial reporting.
- f. FASB staff participated in IASB Board meetings and discussed various technical issues on the Boards' joint projects on business combinations, the conceptual framework, short-term convergence, discontinued operations, liabilities and equity, leases, and financial statement presentation.
- g. Five Board members and some IASB members participated in conceptual framework measurement roundtables held in Norwalk.
- h. The MP&T director and one staff member participated in a two-day meeting of the IASB's financial instruments working group.

OTHER ACTIVITIES

1. The following professional development sessions were presented to the Board and staff:
 - a. Brian Stevens and Mike Tully, FASB Fellows, led a Q&A discussion on a webcast on FASB Statement No. 157, *Fair Value Measurements*, which included Linda MacDonald, PD&S Director, as one of the panelists. The webcast included discussion on the key aspects of the enhanced fair value framework, the implications the framework is expected to have on current practice, and the enhanced disclosure requirements.
 - b. Jeff Johnson and Kevin McBeth, FASB Project Managers, and Ann Benson, FASB Postgraduate Technical Assistant, presented an overview of respondents' comments on the Preliminary Views, *Conceptual Framework for Financial Reporting: Objective of Financial Reporting and Qualitative Characteristics of Decision-Useful Financial Information*,

and a summary of the comments received at the roundtable meetings on the measurement phase of the conceptual framework project.

- c. Peter Proestakes, FASB Project Manager; Phil Hood, FASB Assistant Project Manager; and Robert Sledge, FASB Postgraduate Technical Assistant, provided an overview, including background information and implementation guidance, of FASB Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*.
- d. Julie Erhardt, Deputy Chief Accountant, Office of the Chief Accountant, Securities and Exchange Commission, provided an overview of SEC perspectives on IFRS implementation.

ITEM 2: ADMINISTRATIVE AND STRATEGIC ACTIVITIES

- a. The Board and three directors attended the February FAF Trustees meeting.
- b. A committee consisting of two Board members and four staff members was formed to evaluate whether improvements can be made to the staff structure at the FASB. Four meetings were held with the staff this quarter to identify issues and to explore potential options for changing the staff structure to improve its efficiency and effectiveness.
- c. The chairman and various senior staff members participated in internal meetings and calls relating to the strategic plan and to XBRL.

ITEM 3: WASHINGTON ACTIVITIES

- a. A staff member 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, the project on postretirement benefit obligations including pensions, the project on lease accounting, and other matters of mutual interest.
- b. The chairman, a Board member, the TA&I director, the MP&T 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. Three Board members, the MP&T director, and selected staff met with the SEC's chief accountant and other members of the SEC staff to discuss matters relating to the business combinations project.

ITEM 4: SPEECHES DELIVERED

Principal platforms addressed by the Board and staff members during the February 2007 through April 2007 period include:

- - American Accounting Association
- - American Community Bankers
- - American Institute of Certified Public Accountants
- - American Petroleum Institute
- - Baruch College
- - Connecticut State Society of Certified Public Accountants (Nonprofit Committee)
- - Deloitte Foundation
- - Department of the Treasury
- - Federal Financial Institutions Examination Council
- - Financial Executives International
- - Financial Managers Society
- - Harvard Law School
- - Institute of Chartered Accountants in Scotland
- - Institute of Management Accountants
- - Institutional Investor
- - International Monetary Fund
- - International Swaps and Derivatives Association
- - J.P. Morgan
- - Michigan State University
- - Miami University, Oxford, OH
- - National Association of College and University Business Officers
- - National Association of Insurance Commissioners
- - National Association of Regulatory Utility Commissioners
- - Pace University
- - Public Company Accounting Oversight Board
- - Securities and Exchange Commission
- - University of Cincinnati
- - University of Dayton
- - University of Montana
- - University of South Dakota

ITEM 5: ADDITIONAL COMMUNICATIONS ACTIVITIES

- a. The FASB, through the Communications Department, issued three press releases for this period for the following: Exposure Draft to improve the accounting for financial guarantee insurance contracts; Private Company Financial Reporting Committee announces membership; and FASB standard establishes a fair value option for financial assets and liabilities.
- b. Media outreach and development of communications materials and talking points focused on the above subjects, as well as on lease accounting, fair value measurement, the conceptual framework, and financial statement presentation.

- c. In anticipation of reporter demands, as well as in line with the FAF's strategy to be proactive on the media relations front, 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 *The Wall Street Journal*, *The New York Times*, *Associated Press*, *Bloomberg News*, *Washington Post*, *Reuters*, *CFO Magazine*, *Financial Week*, and many others.
- d. Two issues of *The FASB Report*, the FASB's monthly newsletter, were produced and distributed. Topics included Larry Smith's appointment to the Board; James Kroeker's appointment to the SEC staff; the Private Company Financial Reporting Committee's founding membership; Statement 159; and the FASB Technical Plan.

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, *Accounting for Financial Guarantee Insurance Contracts*
 - - Final FSP FAS 158-1, "Conforming Amendments to the Illustrations in FASB Statements No. 87, No. 88, and No. 106 and to Related Staff Implementation Guides"
 - - Final FSP FIN 39-1, "Amendment of FASB Interpretation No. 39"
 - - Proposed FSP FIN 48-a and Final FSP FIN 48-1, "Definition of *Settlement* in FASB Interpretation No. 48"
 - - Proposed FSP FAS 154-a, "Considering the Effects of Prior-Year Misstatements When Quantifying Misstatements in Current-Year Financial Statements"
 - - Proposed Statement 133 Implementation Issue, "Whether Embedded Conversion Options Are Indexed to both an Entity's Own Stock and Currency Exchange Rates."
- e. The FASB staff received the following GASB drafts for review:
 - - Exposure Draft, *Investments in Land and Other Real Estate Held by Endowments*
 - - Exposure Draft, *Accounting for Financial Reporting for Derivative Instruments*
 - - Final Statement, *Pension Disclosures*
 - - Final Concepts Statement, *Elements of Financial Statements*.
- f. One Board member and two staff members attended portions of the AAA Governmental and Not-for-Profit Sector Committee meeting. The meeting included

staff presentations on recent not-for-profit financial reporting issues and observation of various academic presentations focused on the not-for-profit sector.