

REPORT OF THE CHAIRMAN OF THE FASB  
TO THE FINANCIAL ACCOUNTING FOUNDATION  
July 1 through August 31, 2005

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**ITEM 1: TECHNICAL ACTIVITIES**

**BOARD AND STAFF ACTIVITIES**

- a. The following documents were issued and posted to the website:
1. FASB Proposed Interpretation, *Accounting for Uncertain Tax Positions* (July 14, 2005). Comments are requested by September 12, 2005.
  2. FASB Exposure Draft, *Accounting for Certain Hybrid Financial Instruments* (August 11, 2005). Comments are requested by October 10, 2005.
  3. FASB Exposure Draft, *Accounting for Servicing of Financial Assets* (August 11, 2005). Comments are requested by October 10, 2005.
  4. FASB Exposure Draft, *Accounting for Transfers of Financial Assets* (August 11, 2005). Comments are requested by October 10, 2005.
  5. Milestone Draft on liabilities and equity project, *Proposed Classification for Single-Component Financial Instruments and Certain other Instruments* (July 20, 2005).
- b. The following FSPs were posted to the FASB website:
1. FSP APB 18-1—“Accounting by an Investor for Its Proportionate Share of Accumulated Other Comprehensive Income of an Investee Accounted for under the Equity Method in Accordance with APB Opinion No. 18 upon a Loss of Significant Influence” (Posted: July 12, 2005)
  2. FSP SOP 78-9-1—“Interaction of AICPA Statement of Position 78-9 and EITF Issue No. 04-5” (Posted: July 14, 2005)
  3. Proposed FSP FAS 13-a—“Accounting for a Change or Projected Change in the Timing of Cash Flows Relating to Income Taxes Generated by a Leveraged Lease Transaction” (Posted: July 14, 2005) (Comment Deadline: September 12, 2005)
  4. Proposed FSP FAS 13-b—“Accounting for Rental Costs Incurred during a Construction Period” (Posted: July 19, 2005) (Comment Deadline: August 18, 2005)
  5. Proposed FSP FAS 140-c—“Clarification of the Application of Paragraphs 40(b) and 40(c) of FASB Statement No. 140” (Posted: July 21, 2005) (Comment Deadline: August 22, 2005)
  6. Proposed FSP AAG INV-a—“Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide” (Posted: August 4, 2005) (Comment Deadline: September 19, 2005)

7. Final FSP FAS 123(R)-1—“Classification and Measurement of Freestanding Financial Instruments Originally Issued in Exchange for Employee Services under FASB Statement No. 123(R)” (Posted: August 31, 2005)
- c. On August 17, 2005, related to its effort to develop an authoritative codification of U.S. GAAP, the Board added a project to its agenda to establish general standards of accounting for and reporting of events that occur subsequent to the balance sheet date. The Board decided not to undertake a fundamental reexamination of this area. Rather, it plans to develop standards that reflect the principles underpinning current subsequent events guidance in existing accounting standards and in the auditing requirements contained in AICPA Codification of Statements on Auditing Standards, AU Section 560, *Subsequent Events*.
  - d. At the August 3, 2005, Board meeting, the Board met with representatives of AcSEC and cleared the AICPA final SOP, *Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection with Modifications or Exchanges of Insurance Contracts*. The SOP is in the process of being published by the AICPA.
  - e. All personnel assigned to the codification project attended an all-day training session in Norwalk related to the project.
  - f. The EITF appointed Matthew Schroeder, Managing Director, Accounting Policy at The Goldman Sachs Group Inc., and Carl Kampel, Director in Charge of Professional Standards at Ellin & Tucker, to open seats on the EITF.
  - g. The Statement 123(R) Resource Group met to discuss implementation issues related to accounting for tax effects of share-based compensation awards and private company matters associated with Statement 123(R).
  - h. One Board member met with leading institutional investors in Baltimore, Boston, and New York to recruit charter members of the Investor Task Force (ITF). We anticipate a late September launch of the ITF with Capital Group, Mellon/Dreyfus, Fidelity Investments, Putnam, T Rowe Price, and Wellington Management as founding members.
  - i. We initiated discussion with the top institutional investors to locate our first Investment Fellow. We are at the early discussion stage with Fidelity and Dreyfus on their providing a candidate for this fellowship.
  - j. As part of reconstituting the User Advisory Council (UAC) we have secured the nomination of Bill Miller, Chief Investment Officer from Ohio Public Employees Retirement System, which would be the first time the state retirement systems participated in the UAC.

- k. We recruited new members for the UAC with the goal of reconstituting the UAC to be more representative of the user community. We have added Ira Malis, Director of Research at the new merged Leg Mason/Citi Asset organization to the UAC. We have also received tentative agreement from Fidelity Investments and Wellington Management to nominate candidates to the UAC.
- l. The chairman and one IASB Board member met with representatives of the International Monetary Fund to discuss fair value accounting.
- m. Five staff members and the TA&I director met with representatives of the financial guarantee industry to discuss issues related to the financial guaranty project and to obtain an overview of the industry and current accounting practices.
- n. Four staff members attended the Appraisal Issues Task Force quarterly meeting to discuss the business combinations Exposure Draft.
- o. Six staff members attended or observed (by phone) the Accounting Standards Executive Committee meeting.
- p. The Board met in public meetings with representatives of the following organizations and discussed matters of mutual interest:
  - 1. Edison Electric Institute
  - 2. Financial Managers Society.

#### INTERNATIONAL ACTIVITIES

- a. The Board, senior staff, FASB staff monitoring IASB projects, and the IASB liaison Board member met after each IASB meeting to discuss IASB agenda and research projects with a focus on recent decisions by the IASB and areas of potential divergence.
- b. The Board and staff continue to work closely with the IASB and staff on their joint projects on purchase method procedures, revenue recognition, performance reporting, conceptual framework, short-term convergence, and liabilities and equity (modified joint). FASB staff members participated in the July IASB Board meeting related to the joint conceptual framework project and the education session on the IASB's insurance contracts project. For joint projects, the FASB staff generally participates in IASB meetings by video conference or telephone. The IASB staff participates in FASB meetings by phone.
- c. A staff member presented via video conference an educational session to a public IASB Board meeting in London updating the IASB on current insurance-related projects at the FASB, principally addressing the FASB project on risk transfer in insurance and reinsurance contracts.

- d. The chairman met with representatives of the French Senate Committee to discuss international convergence.
- e. The chairman met with representatives of the Institute of Chartered Accountants Scotland about a study they are conducting on the future of financial reporting.
- f. The chairman, a Board member, and the MP&T director had various discussions with representatives from the SEC and the IASB about international convergence.

#### OTHER ACTIVITIES

- a. The following professional development sessions were presented to the Board and staff:
  - 1. Practice fellows James Geary, Randall Sogoloff, Steven Belcher, Paul Laurenzano, Stuart Moss, Amie Thuener, and Reginald Oakley updated the staff on EITF Issues 04-5, 04-6, 04-7, 04-13; 05-1 through 05-6; 05-F; and 05-G.
  - 2. Stefanie Tamulis, FASB project manager, provided an update on the Board's proposed Statements relating to business combinations and accounting and reporting of noncontrolling interests. In particular, her presentation provided an overview of how the proposed Statements will affect current practice.
  - 3. Jeff Johnson, FASB project manager, and Rebecca Goodman, FASB postgraduate technical assistant, provided an update on Statement 154. In particular, the presentation provided insight as to how Statement 154 should be considered when deliberating transition provisions in future projects.
  - 4. Halsey Bullen, FASB senior project manager, Kevin McBeth, FASB project manager, and a Board member led a professional development session related to a process for analyzing financial reporting issues that is under development in the conceptual framework.

#### ITEM 2: ADMINISTRATIVE AND STRATEGIC ACTIVITIES

- a. A staff member attended a meeting at the IASB in London to explore the possibility of developing a convergence taxonomy between the FASB and the IASB.
- b. The chairman, two Board members, the PD&S director, and the XBRL fellow participated in a meeting with members of the XBRL consortium and the SEC staff to discuss the FASB's XBRL involvement over the next 2-5 years. The meeting involved a discussion to obtain the XBRL consortium members' views on where they see XBRL headed and how they envision the FASB's future role.
- c. The Board and senior staff participated in three strategic planning meetings to develop long-term goals for standard-setting activities, the financial reporting model, and related objectives.

- d. The Board and staff directors participated in an administrative meeting to discuss various operating and process issues.
- e. Several new staff members participated in training sessions covering the following topics: processes and procedures, effective writing, project planning and communications, and staffing/personnel issues.
- f. Staff members attended a seminar on critical thinking and public speaking.
- g. Three Board members and the PD&S director attended an FAF Trustees meeting in New York City.

### **ITEM 3: WASHINGTON ACTIVITIES**

- a. The chairman, the MP&T director, and three staff members met with a representative of the Independent Sector and the Panel on the Nonprofit Sector to discuss nonprofit organizations and accounting. The Panel recently issued a final report to Congress that contains recommendations to strengthen the transparency, governance, and accountability of charitable organizations.
- b. Three staff members participated in a conference call with the U.S. Senate staffers to discuss accounting and financial reporting for income taxes.
- c. Two staff members participated in a conference call with representatives of the National Grain Trade Council to discuss the financial accounting and reporting for derivatives and hedging activities.
- d. A staff member met with representatives of a number of associations, staff to Members of Congress, Congressional committees, government agencies, and other entities and organizations to discuss current FASB activities and other issues.

### **ITEM 4: SPEECHES DELIVERED**

Principal platforms addressed by the Board and staff members during the July 2005 and August 2005 period include:

- - American Accounting Association
- - American Financial Services Association
- - American Gas Association
- - American Institute of Certified Public Accountants
- - Beta Alpha Psi
- - Information Management Network
- - International Conference of the Institute of Auditors
- - Louisiana Accounting and Auditing Conference
- - National Advanced Accounting and Auditing Technical Symposium
- - National Economic Research Associates

- - National Society of Accountants for Cooperatives
- - The Directors' Symposium

#### **ITEM 5: ADDITIONAL PUBLIC RELATIONS ACTIVITIES**

- a. The FASB, in conjunction with the Public Relations Department, issued two press releases this period for the following: three FASB Exposure Drafts titled *Accounting for Transfers of Financial Assets*, *Accounting for Servicing of Financial Assets*, and *Accounting for Certain Hybrid Financial Instruments*, and an FASB Exposure Draft of a proposed Interpretation, *Accounting for Uncertain Tax Positions*.
- b. Media inquiries focused primarily on accounting for business combinations, accounting for uncertain tax positions, and accounting for financial assets.
- c. The FASB continued its frequent contact with the major press including the *Wall Street Journal*, *New York Times*, *Financial Times*, and *Washington Post*.
- d. FASB staff members and the Public Relations Department were interviewed by reporters from *Financial Executives International*, *the International Monetary Fund*, and *Reuters*.
- e. As part of the FASB's strategy to reach CEOs, the Public Relations Department arranged for two Board members to participate in an editorial board meeting with *Chief Executive Officer Magazine*. A day-long session for a reporter from the *Wall Street Journal* was also arranged to familiarize the reporter with the FASB and current accounting and reporting issues. The reporter met with two Board members, several FASB project managers, and other FASB staff members.
- f. Two issues of *The FASB Report*, the FASB's monthly newsletter, were produced and distributed. Topics included the Small Business Advisory Committee meeting, the FASB's technical plan, the conceptual framework, and the FASB's milestone draft for liabilities and equity.
- g. In conjunction with the Public Relations Department, a visit was conducted for a group from PricewaterhouseCoopers Japan who observed an FASB Education Session, received a post session briefing from Bob Herz, were given a tour of the FASB facilities, and finally, met with Larry Smith, who spoke about the EITF and current Board activities.
- h. The Public Relations Department met with the FASB Board members to develop key themes and messages that will effectively communicate information about the FASB's mission and activities.

## **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 the 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 draft to the GASB for review:  
--FASB Exposure Draft, *Accounting for Transfers of Financial Assets*
- e. The chairman, an FASB Board member, and a senior staff member met with the GASB chairman and senior staff members to discuss differences between the objectives and key corporate underlying governmental and nongovernmental accounting.