

REPORT OF THE CHAIRMAN OF THE FASB  
TO THE FINANCIAL ACCOUNTING STANDARDS ADVISORY COUNCIL

For the quarter ended December 31, 2001

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**ITEM 1: TECHNICAL ACTIVITIES**

**A. BOARD ACTIVITIES**

- The Board held 19 separate sessions on 11 dates to deliberate technical issues for 11 agenda projects or possible agenda projects. The Board also discussed three minor technical issues during the open discussion segment of Board meetings.
- Several Board members participated in the November meeting of the Emerging Issues Task Force.
- The Board met with representatives of the following organizations and discussed matters of mutual interest:
  - National Investor Relations Institute
  - American Gas Association
  - AICPA Private Companies Practice Section Technical Issues Committee
  - American Council of Life Insurers
  - American Academy of Actuaries
  - American Bar Association.

**B. INTERNATIONAL ACTIVITIES**

- The Board and the International Accounting Standards Board (IASB) agreed to work jointly to resolve business combinations issues related to purchase method procedures and new basis/fresh start. Staff from the two organizations met in October to discuss the scope of the issues to be covered jointly and preliminary plans for proceeding on the project.
- The Board met with the IASB in Washington, DC in October as a way to introduce themselves to each other. The Boards briefly discussed the role of the Accounting Standards Executive Committee in the United States as well as the joint project on business combinations.
- The Board updated the FAF Trustees on its international activities and on the status of the IASB's agenda topics.
- An FASB Board member and a staff member attended the annual meeting of the American Free Trade Agreement Committee on Financial Reporting Matters (the AFTA Committee) in Santiago, Chile. The AFTA Committee comprises standard-setting representatives from Canada, Chile, Mexico, and the United States. The group discussed standard-setting developments in each of their countries and internationally, as well as plans for the next edition of the AFTA Committee's biannual publication comparing the accounting standards of the four countries.

- Mary Keegan, chair of the UK Accounting Standards Board, visited the FASB.
- Representatives from the FASB and the FAF participated in a meeting of an IASB working group to discuss development of the IASB's policies for sharing the content of its publications with other standard setters.
- A Board member attended the annual IASB-PricewaterhouseCoopers conference in London.
- A staff member and the Board discussed international activities at the open liaison meeting with the American Academy of Actuaries.
- A staff member presented a speech on Statements 141, *Business Combinations*, and 142, *Goodwill and Other Intangible Assets*, at the University of Frankfurt, Germany.
- The director of RTA, a staff member, and the IASB liaison member met with representatives from the Japan Leasing Association to discuss U.S. and international developments on lease accounting issues.
- The Board discussed and reached tentative agreement on operating policies for monitoring IASB activities.

#### C. OTHER ACTIVITIES

- The following professional development sessions were presented to the Board and staff:
  - Robert K. Elliott, partner of KPMG in New York City, a member of its Office of the Chairman, and a Trustee of the KPMG Foundation, described how the new credential will position CPAs to take advantage of the mega trends in our economy and how it will benefit CPAs.
  - Corliss Montesi, assistant controller, Pratt & Whitney, a division of United Technologies (UTC) and former FASB project manager, discussed implementation of and lessons learned of FASB Statements No. 133 and No. 138.
  - James Mountain and Thomas Hewitt, CPAs, Deloitte & Touche, discussed methods for pricing individual components of compound financial instruments using an example of a convertible debt issuance.
  - Kim Petrone, FASB project manager, updated the Board and staff on the application of FASB Statements No. 141 and No.
  - John Wulff and Gary Schieneman, FASB Board members, provided their views on financial reporting and standard setting.
- The Board and staff participated in two meetings with constituents to discuss the issues in the project on accounting for combinations of not-for-profit organizations and mutual enterprises.
- Two Board members and several staff members participated in a closed meeting with FASB Subcommittee of the CCR to discuss FASB agenda topics, agenda priorities, and the process issues.

- A Board member and staff met with the Committee on Financial Management Issues of the American Insurance Association.
- Three Board members and staff participated in a conference call with a working group to discuss potential projects to address codification and simplification concerns.
- Various Board members and staff participated in four field visits on the liabilities and equity project.
- Two Board members and staff participated in an educational session with Merrill Lynch on pricing individual components of a convertible debt.
- Various Board members and staff participated in four field visits to meet with users of financial statements to discuss matters related to the project on financial performance reporting by business enterprises.
- The assistant director of RTA and a staff member participated in an FEI teleconference on Statements 141 and 142 question-and-answer session.
- A staff member participated in a CFO.com webcast on FAS 141/142.
- Staff participated in several closed meetings of EITF working groups.
- Staff attended an AcSEC meeting in Texas.

## **ITEM 2: WASHINGTON ACTIVITIES**

- The chairman and a staff member met individually with several Members of Congress and Committee staff to discuss current FASB activities and other accounting issues.
- The chairman and a staff member met with Securities and Exchange Commission Chairman, Harvey L. Pitt, Chief Accountant Robert K. Herdman, and staff to discuss current FASB activities and other accounting issues.
- The chairman and a staff member met with the Under Secretary for Domestic Finance and staff of the Department of the Treasury to discuss current FASB activities and other accounting issues.
- The chairman and a staff member met with the Director and staff of the Office of Thrift Supervision to discuss current FASB activities and other accounting issues.
- A staff member met with representatives of a number of associations, Members of Congress, Congressional Committees, government agencies, and other entities and organizations to discuss current FASB activities and other accounting issues.

- A Board member, the director of RTA, the assistant director of RTA, and a staff member held a quarterly update meeting with the staff of the financial institution regulators.

### **ITEM 3: SPEECHES DELIVERED**

Principal platforms addressed by the Board and staff members during this period included:

- AICPA
- Banking, Finance and Insurance Summits
- California CPA Education Foundation
- Canadian Institute of Chartered Accountants
- Connecticut Society of CPAs
- Connecticut/Westchester CPA Society
- Ernst & Young
- Financial Executives Institute
- Florida Institute of CPAs
- Goethe University
- IASB/PWC Conference
- Illinois Society of CPAs
- Information Management Network
- Kansas State University
- Mortgage Bankers Association of America
- National Association of Regulatory Utility Commission
- Nebraska State Society
- New York Society of CPAs
- Oklahoma State University Conference
- Sacred Heart University
- SEC Historical Society
- Society of Actuaries
- Southern Gas Association
- Tennessee Society of CPAs
- Texas Society of CPAs
- University of Alabama
- University of California at Berkeley
- University of Chicago Directors College
- University of Florida
- University of Houston
- University of Tennessee
- Virginia Society of CPAs
- Virginia Tech

#### **ITEM 4: ARTICLES PUBLISHED**

1. Petrone, Kim and Johnson, L. Todd, "Tale of Two Standards," *Accountancy*, November 2001.
2. Probst, Melissa and Sangiuolo, Rosemarie, "An FASB Perspective on the Objectives, Implementation, and Impact of FASB Statement No. 133," *Institutional Investor*, fall 2001.

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

**Daily Media Contact:** Initiated or responded to more than 100 media inquiries per month.

Wrote and distributed nine news releases.

**Meetings/Interviews:** Held meetings and/or initiated interviews with key reporters representing numerous media organizations, including *Accountancy*, *Accounting Today*, *Bloomberg*, *BusinessWeek*, *Corporate Board Member*, *Corporate Financing Week*, *Dow Jones*, *Financial Times*, *Forbes*, *Fortune*, *Hedgeworld*, *Investor Relations Business*, *Institutional Investor*, *Los Angeles Times*, *Newsweek*, *Reuters*, *SmartMoney*, *Stamford Advocate*, *The Deal*, *The Street.com*, *The Wall Street Journal*, *Time*, *Treasury and Risk Management*, *USA Today*.

Coordinated television interviews with *Nightly Business Report (PBS)* and *Dallas Morning News* in connection with the unfolding Enron story. Arranged for onsite interviews with CNBC and CNN crews regarding the EITF decision on accounting for terrorist attacks.

**Financially Correct (video):** Public Relations has aggressively marketed the video, having sent out more than 350 press releases on its initial launch date to members of the media (newspapers, magazines, television, and radio). This effort included a "sneak-peek" promo targeted to a select group of reporters. Following the video's official release, Public Relations distributed promotional press kit mailings to more than 200 key media contacts and sent complimentary copies to a substantial portion of those reporters.

Public relations distributed videos to FAF trustees and sponsoring organizations (for its mention in their newsletters and websites, along with other supportive organizations, including the National Investor Relations Institute, National Association of Corporate Directors, and Association for Investment Management and Research).

Recently, CNBC promoted *Financially Correct* to viewers in connection with a news segment on the quality of earnings and proforma accounting. In addition to plugging the FASB video, CNBC talked about the FASB's role and referred viewers to our website.

Promotion of this video is an ongoing project, and tickler mailings and phone calls will continue to be made in 2002.

## **ITEM 6: GASB LIAISON ACTIVITIES**

- FASB meeting minutes were sent to the GASB RTA director and certain GASB staff.
- GASB meeting minutes were sent to the FASB chairman.
- The RTA directors of the FASB and the GASB held monthly meetings.
- The FASB distributed a draft of the Exposure Draft, *Rescission of FASB Statements No. 4, 44, and 64 and Technical Corrections*, to the GASB for review.
- The FASB received the GASB draft, *Implementation Guide to GASB Statement 34 and Related Pronouncements*, for review.