

REPORT OF THE FASB CHAIRMAN  
TO THE FINANCIAL ACCOUNTING FOUNDATION  
October 1, 2010 through December 31, 2010

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**ITEM 1: TECHNICAL ACTIVITIES**

**BOARD AND STAFF ACTIVITIES**

a. Final Documents Issued:

1. Accounting Standards Update No. 2010-26, *Financial Services—Insurance (Topic 944): Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts* (a consensus of the FASB Emerging Issues Task Force) (issued October 13, 2010).
2. Accounting Standards Update No. 2010-27, *Other Expenses (Topic 720): Fees Paid to the Federal Government by Pharmaceutical Manufacturers* (a consensus of the FASB Emerging Issues Task Force) (issued December 16, 2010).
3. Accounting Standards Update No. 2010-28, *Intangibles—Goodwill and Other (Topic 350): When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts* (a consensus of the FASB Emerging Issues Task Force) (issued December 17, 2010).
4. Accounting Standards Update No. 2010-29, *Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations* (a consensus of the FASB Emerging Issues Task Force) (issued date December 21, 2010).

b. Exposure Drafts and Discussion Paper Issued:

1. Proposed Accounting Standards Update, *Health Care Entities (Topic 954): Disclosure about Net Revenue and Allowance for Doubtful Accounts* (a consensus of the FASB Emerging Issues Task Force) (issued October 6, 2010). Comment deadline: November 5, 2010.
2. Proposed Accounting Standards Update, *Intangibles—Goodwill and Other (Topic 350): How the Carrying Amount of a Reporting Unit Should Be Calculated When Performing Step 1 of the Goodwill Impairment Test* (a consensus of the FASB Emerging Issues Task Force) (issued October 6, 2010). Comment deadline: November 5, 2010.
3. Proposed Accounting Standards Update, *Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations* (a consensus of the FASB Emerging Issues Task Force) (issued October 6, 2010). Comment deadline: November 5, 2010.

4. Proposed Accounting Standards Update, *Receivables (Topic 310): Clarifications to Accounting for Troubled Debt Restructurings by Creditors* (issued October 12, 2010). Comment deadline: December 13, 2010.
  5. Proposed Accounting Standards Update, *Transfers and Servicing (Topic 860): Reconsideration of Effective Control for Repurchase Agreements* (issued November 3, 2010). Comment deadline: January 15, 2011.
  6. Proposed Accounting Standards Update, *Receivables (Topic 310): Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20* (issued December 9, 2010). Comment deadline: December 24, 2010.
  7. Proposed Accounting Standards Update, *Other Expenses (Topic 720): Fees Paid to the Federal Government by Health Insurers* (a consensus of the FASB Emerging Issues Task Force) (issued December 17, 2010). Comment deadline: April 18, 2011.
  8. Proposed Accounting Standards Update, *Health Care Entities (Topic 954): Presentation and Disclosure of Net Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts* (a consensus of the FASB Emerging Issues Task Force) (issued December 17, 2010). Comment deadline: February 15, 2011.
  9. Discussion Paper, *Effective Dates and Transition Methods* (issued October 19, 2010). Comment deadline: January 31, 2011.
- c. From time to time, the FASB issues Accounting Standards Updates to amend the nonauthoritative portions of the *FASB Accounting Standards Codification*® (such as the nonauthoritative SEC content). No such Updates were issued this quarter.
- d. Projects Added to the Technical Agenda:
1. Ongoing Technical Corrections Project (the Chairman added a standing project to the agenda to address minor technical corrections as they are identified).
  2. Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20 (an Exposure Draft was issued this quarter).
  3. Goodwill Impairment Assessments (final guidance was issued in 2010, see item 3).
  4. EITF Issue No. 10-H, "Fees Paid to Federal Government by Health Insurers" (an Exposure Draft was issued this quarter).
- e. Agenda Requests Considered but Declined:
1. Cash Flow Statement Presentation of Derivative Instruments with an Other-Than Insignificant Financing Element (EITF).
  2. Separate Classification of Elements for Consolidated Variable Interest Entities.

3. Consolidations: Agent versus Principal Analysis. A stakeholder requested that the FASB provide additional guidance to help the stakeholder interpret the existing requirements for determining whether a reporting entity is a principal or an agent. The Chairman decided not to take on that project in light of the ongoing evaluation of the existing consolidation guidance under way as part of the FASB and the IASB convergence program. (In January, 2011, the Chairman decided to broadly reconsider the existing agency principal guidance as part of the on-going consolidations project.)
- f. Projects Removed from the Technical Agenda:
    1. EITF Issue No. 10-F, "Health Care Entities: Accounting for Legal Costs Associated with Medical Malpractice and Similar Claims."
  - g. Emerging Issues Task Force: Four FASB members participated in the November 19, 2010 EITF meeting. The EITF reached final consensus on several Issues and, with one exception, the FASB subsequently approved the issuance of Accounting Standards Updates reflecting those decisions (the FASB decided that one consensus should be reexposed for public comment before it is finalized). The EITF also reached tentative consensus on several other Issues, and the Board subsequently approved the issuance of Exposure Drafts containing that guidance.
  - h. Outreach Activities—Meetings of FASB Standing Advisory Groups:
    1. Financial Accounting Standards Advisory Council (FASAC).

Five Board members, several staff, and invited guests participated in the October FASAC meeting. The Council discussed issues and guiding principles that the FASB should use in its work on MOU projects and beyond, the different proposed changes in accounting being considered as part of the convergence process and the Boards' outreach strategy, the usefulness of financial reports on a broad basis, perceived problems, and possible solutions, and the financial instruments Exposure Draft.

Five Board members and several staff members participated in the December FASAC meeting. The Council discussed tactics for addressing interest rate risk, liquidity risk, and prepayment risk in disclosures and/or presentation and the Board's projects on Accounting for Financial Instruments, Revenue Recognition, and Effective Dates and Transition Methods.
    2. Investors Technical Advisory Committee (ITAC). In November, two FASB members and several FASB staff met with ITAC in a closed meeting and discussed the Board's project on Consolidations, the Effective Dates and Transition Methods Discussion Paper, and the Exposure Drafts on Accounting for Financial Instruments, and Disclosures about an Employer's Participation in a Multiemployer Plan. Participants also discussed differences in the needs of users of private company and public company financial statements.

3. Valuation Resource Group (VRG). Four Board members and several staff members met with the VRG in a public meeting in November. The VRG discussed several fair value measurement issues related to financial reporting, which were the fair value measurement of contingent consideration in a business combination, the application of the multi-period excess earnings method and the Greenfield method to the valuation of intangible assets, the measurement uncertainty analysis disclosure proposed in the Exposure Draft on Topic 820 and possible alternatives, the proposed Accounting Standards Update *Intangibles—Goodwill and Other (Topic 350): How the Carrying Amount of a Reporting Unit Should Be Calculated When Performing Step 1 of the Goodwill Impairment Test*, and how the application of premiums and discounts to a fair value measurement could be clarified in the final Accounting Standards Update on Topic 820.
  4. Small Business Advisory Committee (SBAC). Five Board members and several staff members participated in the December SBAC meeting. The Committee discussed the Board’s projects on Revenue Recognition, Leases, and Effective Dates and Transition Methods and views from small businesses on the process and application of existing GAAP, including the related communication efforts.
  5. Private Company Financial Reporting Committee (PCFRC). Five Board members and several staff members participated in the December PCFRC meeting. The Committee discussed the Board’s projects on Revenue Recognition, Leases, Disclosures about an Employer’s Participation in a Multiemployer Plan, Effective Dates and Transition Methods, Accounting for Financial Instruments, and Goodwill Impairment. The participants also discussed a potential framework for determining appropriate differences for private companies.
- i. Outreach Activities—Other Meetings with Stakeholder Groups:
1. Edison Electric Institute/American Gas Association (EEI/AGA). Two Board members and several staff members met privately with EEI and AGA members to discuss the Board’s projects on Accounting for Financial Instruments, Emissions Trading Schemes, Revenue Recognition, and Leases. EEI and AGA members also provided input on the need for international accounting standards for rate-regulated activities.
  2. AICPA Technical Issues Committee (TIC) meeting. Three Board members and several staff members participated in a public meeting with TIC members in November. Participants discussed ways to improve outreach to private entities, suggestions for FASB training initiatives for new standards, and understanding one-time and ongoing implementation costs for new standards. Participants also discussed the Board’s projects on Accounting for Financial Instruments, Fair Value Measurements and Disclosures, Leases, and Revenue Recognition.

3. FASB staff members met privately with the U.S. Chamber of Commerce Leasing Coalition to give the Coalition an update on the leasing project.
  4. Two FASB members met privately with representatives of the CFA Institute.
  5. An FASB member participated by conference call in a meeting of the Financial Executive Institute's Committee on Corporate Reporting.
- j. Outreach Activities—Public Roundtable Meetings. The FASB held the following public roundtable meetings:
1. Five public roundtable meetings on the financial instruments Exposure Draft, one of which was composed solely of nonpublic company participants.
  2. One public roundtable meeting on the Discussion Paper on insurance contracts. Representatives of the FASB also participated in two IASB roundtables on the IASB Exposure Draft on insurance contracts.
  3. Four public roundtable meetings were held to discuss a staff draft of the IASB's final standard on consolidation. Two of those roundtable meetings were composed solely of nonpublic company participants.
- k. Other significant project-specific outreach activities:
1. Representatives of the FASB discussed proposals for the impairment of financial instruments with representatives of several different companies.
  2. Relating to the Board's project on financial statement presentation, representatives of the FASB meet privately with various groups of users, preparers, and major public accounting firms, conducted field visits with several U.S. public companies, conducted field tests with more than 10 private companies, and engaged in follow-up field test work with financial institutions and other companies.
  3. Relating to the project on insurance contracts, representatives of the FASB participated in calls and other meetings with various groups of investors, participated in more than 10 private meetings with preparers sponsored by various industry associations, participated in a meeting of the AICPA's expert panel, and conducted two field visits.
  4. Relating to the project on investment properties, representatives of the FASB participated in meetings and calls with a number of investors, preparers, and auditor groups.
  5. Relating to the project on leases, representatives of the FASB participated in numerous calls with both sell-side analysts and buy-side investors, participated in several meetings with various groups of preparers and auditors, and conducted private workshop meetings with preparers in Toronto, San Paulo, Norwalk, London, Seoul, Tokyo, and Melbourne.

6. Relating to the project on offsetting of financial assets and liabilities, the FASB and IASB staff issued a questionnaire to obtain insights from investors and met privately with representatives of a major financial institution to learn about master netting arrangements.
7. Relating to the project on revenue recognition, representatives of the FASB participated in several industry conferences, attended the Corporate Reporting Users' Forum, participated in several private roundtable meetings hosted by industry groups, and conducted field visits with two U.S. public companies.

#### COLLABORATION WITH THE INTERNATIONAL ACCOUNTING STANDARDS BOARD

- a. The FASB and IASB held multi-day joint Board meetings in October, November, and December using their video-conferencing capabilities and held a two-day face-to-face joint meeting in Norwalk in November.
- b. FASB staff participated in IASB Board meetings to discuss technical issues on the Boards' various joint projects.
- c. FASB members participated in joint Board advisor meetings on Financial Statement Presentation, Revenue Recognition, and Insurance.
- d. The FASB and IASB held joint education sessions on Emissions Trading Schemes and Fair Value Measurement.
- e. FASB and IASB members and selected staff participated in IASB-sponsored public roundtable meetings on Accounting for Financial Instruments, Revenue Recognition, Consolidations, Insurance, and Leases held in London, Hong Kong, Tokyo, and Kuala Lumpur.
- f. An FASB Board member and staff participated in a public meeting of the IASB's Insurance Working Group (London).
- g. Two FASB members participated in a meeting of the Joint International Group/Financial Instruments Advisory Group (the advisory group on the Financial Statement Presentation project) held in Norwalk.
- h. Several FASB members and directors met with the IASB members and staff to coordinate outreach activities on various joint projects.
- i. FASB members and representatives of its staff and the IASB participated in their annual joint Financial Reporting Issues Conference.
- j. The FASB and IASB directors met periodically to discuss technical and administrative matters.

## OTHER INTERNATIONAL ACTIVITIES

- a. The FASB chairman attended a meeting of the Financial Stability Board in Seoul, Korea, co-presenting with the IASB chairman.
- b. The FASB chairman participated in the Three Way Dialogue with the IASB and numerous international regulators in New York.
- c. An FASB director participated in the IFRS Conference in London.

## XBRL ACTIVITIES

The FAF is responsible for the ongoing maintenance of the taxonomy applicable to public issuers registered with the SEC. The FAF has delegated those maintenance responsibilities to the FASB.

- a. In August 30, 2010, we posted to the FASB website a draft of the 2011 U.S. GAAP Financial Reporting Taxonomy (UGT) for a 60-day public comment period. Following the close of the comment period, XBRL staff evaluated the comments received and developed recommendations for resolving the issues that commentators raised.
- b. In December, the XBRL staff delivered to the SEC staff for their review a proposed final 2011 UGT and all supporting material as per our agreement dated February 4, 2010. The SEC has since completed their final review of that UGT, which was posted to the FASB website on January 18, 2011.
- c. Additionally, we established the Taxonomy Advisory Group (TAG) to provide the FASB XBRL Team with guidance on element selections and taxonomy modeling choices that will improve the use of the UGT and resulting instance documents for all users from preparers through analysts. The TAG roster includes a variety of different types of stakeholders, including preparers, auditors, and analysts. The XBRL staff met with the TAG several times by conference call and held one face-to-face meeting.

## SPEECHES DELIVERED

The following is a list of speeches delivered during the 4th quarter of 2010:

- 26<sup>th</sup> Annual National SEC Reporting Conference
- 38<sup>th</sup> Annual AICPA/SEC Conference
- Accounting for Derivatives Conference
- Accounting Hall of Fame, Ohio State University
- AICPA Annual Credit Union Industry Conference
- AICPA Healthcare Industry Conference
- AICPA National Securities Conference
- AICPA National Conference on Current SEC/PCAOB Development
- AICPA NFP Financial Executive Forum

- Deloitte IFRS Summit
- Ernst & Young Financial Services Office Client Accounting Change Event
- FEI Central PA Chapter
- FEI Current Financial Reporting Issues Conference
- Geneva Association – 2010 Insurance Finance and Accounting Seminar
- Georgia Society of CPA 2010 Accounting & Auditing Conference
- Greater Washington Society of CPA Annual Nonprofit Conference
- Harvard Business School
- IASB – IFRS in North America Conference
- IASB & CICA IFRS Conference
- ICAEW Information for Better Markets Conference, Accounting for Financial Instruments
- Indiana University
- Institute of Intl. Finance Sr. Accounting Group – 3 Way Dialogue
- JP Morgan Bank Finance Conference
- Meet the Experts Conference (PWC)
- Michigan CPA Fall Accounting Forum
- Middle Atlantic Association of Colleges of Business (MAACBA)
- Missouri Society of CPAs (MSCPA) Annual Not-for Profit Conference
- National Governmental & NFP Training Program – AICPA
- NJSCPA Education Foundation Inc.
- NYSSA’s Financial Reporting Conference
- Oklahoma State University – OSU Accounting & Financial Reporting Conference
- PLI Annual Institute
- PricewaterhouseCoopers CFO Roundtable
- Strafford Publications
- Tennessee Society of CPA’s Accounting & Auditing Symposium
- University of Florida – FICPA
- Washington Society of CPAs
- XBRL US National Conference

PROFESSIONAL DEVELOPMENT—FASB STAFF AND BOARD

- a. The following professional development sessions were presented to the Board and staff:
1. An overview of the Proposed Accounting Standards Update, *Revenue Recognition (Topic 605): Revenue Recognition (Topic 605): Revenue from Contracts with Customers*, presented by Kenny Bement, FASB Project Manager; Libby Biittner, FASB Postgraduate Technical Assistant; and Stephanie Stoviak, FASB Postgraduate Technical Assistant.
  2. An overview of the recently enacted Dodd-Frank Wall Street Reform & Consumer Protection Act, including its effect on the nation's financial regulatory system, presented by Grace Hinchman, FAF External Relations &



Communication, and Karishma Shah Page, Associate, Washington D.C. Office of K&L Gates.

3. An overview of the IASB's Upcoming Exposure Draft on hedge accounting, presented by IASB staff members Martin Friedhoff, Sue Lloyd, and Gavin Francis.
  4. An overview of the GASB's Preliminary Views on pension accounting, presented by Karl Johnson, GASB Project Manager.
  5. Global GAAP and the IFRS for SMEs, presented by Paul Pacter, IASB Board member. Mr. Pacter explained why separate global financial reporting standards are needed for small and medium-sized entities (often called private entities in the U.S.) and provided an overview of IFRS for SMEs.
  6. Writing Questions for Surveys and Interviews (Part II), presented by Dean Mead, GASB Research Manager.
- b. Professional staff attended the following conferences sponsored by other organizations:
1. Bryant University Annual XBRL Conference
  2. FEI's Current Annual Financial Reporting Conference
  3. New Horizon Computer Learning sessions on Microsoft Excel, Word, and Outlook
  4. AICPA National Conference on Current SEC and PCAOB Developments.

## **ITEM 2: ADMINISTRATIVE MATTERS AND STRATEGIC ACTIVITIES**

- a. All Board members attended the November FAF Trustees meeting.
- b. In December, the FASB launched live video-webcasting of its public decision-making meetings (previous webcasts of decision-making meetings were audio-only).

## **ITEM 3: WASHINGTON ACTIVITIES**

- a. Members of Congress and their staffs were informed about the activities of the FASB through a variety of different meetings and other forums, including:
  1. The FAF chairman, FAF president & CEO, and certain FAF staff met with Members of Congress and U.S. Senate to provide them with an update on convergence and answer their questions on pending FASB projects. Meetings were held with Congressman Bachus, incoming Chairman of House Financial Services Committee; Congressman Garrett, incoming Chairman of House Financial Services Capital Markets Subcommittee; Congresswoman Judy

Biggert, incoming Chairman Housing Subcommittee; Congressman Mike Conaway; Congressman John Campbell; Bill Duhnke, Senate Banking Committee Minority staff Director; and Senator Mike Enzi.

2. FAF staff and FASB staff held their semiannual Congressional Update on FASB Issues for Senate and House staff members. The presentation focused on active projects that congressional staff are likely to hear about from stakeholders (multi-employer; leases; loss contingencies) and included an update on convergence.
  3. FAF staff and FASB staff met in person and/or on the phone with staff from Senators Corker, Reed, Johnson, Johans, and with the staff of Congressman Bachus; Issa; Himes and the Committee staff for Senate Banking and House Financial Services.
  4. FAF staff briefed staff of the House Subcommittee on Health, Employment, Labor and Pensions on the status of the project to improve disclosures about multi-employer pension plans.
- b. FAF staff attended the following Washington DC-based conferences:
1. December FEI Committee on Corporate Reporting meeting and dinner in Washington, D.C.
  2. The NACD 2010 National Audit Committee Chair Forum.
- c. FAF staff and the FASB chairman met with the Executive Director of CAQ to discuss the potential use of IFRS by U.S. registrants.

#### **ITEM 5: ADDITIONAL COMMUNICATIONS ACTIVITIES**

- a. The FASB issued the following press releases/media advisories:
1. 10-11-10: MEDIA ADVISORY: FASB Announces Changes to the Schedule of Public Roundtables to Solicit Input on the IASB Staff Draft on Consolidated Financial Statements
  2. 10-12-10: FASB Issues Proposed Accounting Standards Update to Improve Financial Reporting about Troubled Debt Restructurings
  3. 10-14-10: MEDIA ADVISORY: Financial Accounting Standards Board Announces Public Roundtable Meetings to Solicit Input on Proposal to Improve Lease Accounting
  4. 10-15-10: MEDIA ADVISORY: Financial Accounting Standards Board Announces Joint FASB/IASB Public Roundtable Meetings on Insurance Contracts
  5. 10-19-10: FASB Discussion Paper Seeks Input on Effective Dates and Transition Methods

6. 11-3-10: FASB Exposure Draft Seeks Input on *Transfers and Servicing (Topic 860): Reconsideration of Effective Control for Repurchase Agreements*
  7. 11-30-10: MEDIA ADVISORY: Private Company Financial Reporting Committee to meet Dec. 2-3 in Norwalk, Connecticut
  8. 12-23-10: Financial Accounting Foundation Appoints Leslie F. Seidman Chairman of the Financial Accounting Standards Board
- b. FASB Chairman Leslie Seidman participated in several media interviews after the announcement of her appointment as FASB chairman.
  - c. The FASB hosted two educational webcasts in October: “Proposed Changes to Lease Accounting” and “Preliminary Views on Insurance Contracts—Discussion Paper.”
  - d. An article entitled “Common Language: Converging Accounting Standards,” co-authored by FASB Board member Marc Siegel and FASB staff Laura Kiernan, was published in the December 2010 issue of IR (Investor Relations) Update, a publication of the National Investor Relations Institute.
  - e. The FAF communications department provided a tour for Professor Judy Beckman and 10 accounting students from the University of Rhode Island. The program included presentations from FASB staff members.

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

- a. FASB meeting minutes were sent to the GASB RTA director.
- 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:
  - Accounting Standards Update No. 2010-27, *Other Expenses (Topic 720): Fees Paid to the Federal Government by Pharmaceutical Manufacturers*
  - Accounting Standards Update No. 2010-2X, *Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations*
  - Accounting Standards Update No. 2010-2X, *Intangibles—Goodwill and Other (Topic 350): When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts*
  - Proposed Accounting Standards Update, *Transfers and Servicing (Topic 860): Reconsideration of Effective Control for Repurchase Agreements*
  - Proposed Accounting Standards Update, *Receivables (Topic 310): Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20*
  - Proposed Accounting Standards Update, *Other Expenses (Topic 720): Fees Paid to the Federal Government by Health Insurers*

- Proposed Accounting Standards Update, *Health Care Entities (Topic 954): Presentation and Disclosure of Net Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts.*