

REPORT OF THE FASB CHAIRMAN
TO THE FINANCIAL ACCOUNTING FOUNDATION
July 1, 2011 through September 30, 2011

ITEM 1: TECHNICAL ACTIVITIES

BOARD AND STAFF ACTIVITIES

- a. Final Documents Issued:
1. Accounting Standards Update No. 2011-06, *Other Expenses (Topic 720): Fees Paid to the Federal Government by Health Insurers* (a consensus of the FASB Emerging Issues Task Force) (issued July 21, 2011)
 2. Accounting Standards Update No. 2011-07, *Health Care Entities (Topic 954): Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities* (a consensus of the FASB Emerging Issues Task Force) (issued July 25, 2011)
 3. Accounting Standards Update No. 2011-08, *Intangibles—Goodwill and Other (Topic 350): Testing Goodwill for Impairment* (issued September 15, 2011)
 4. Accounting Standards Update No. 2011-09, *Compensation—Retirement Benefits—Multiemployer Plans (Subtopic 715-80): Disclosures about an Employer’s Participation in a Multiemployer Plan* (issued September 21, 2011).
- b. Exposure Document Issued:
1. Proposed Accounting Standards Update, *Property, Plant, and Equipment (Topic 360): Derecognition of in Substance Real Estate—a Scope Clarification* (a consensus of the Emerging Issues Task Force) (issued July 20, 2011). Comment deadline: October 3, 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. New projects added to the agenda:
1. EITF Issue No. 11-A, “Parent’s Accounting for the Cumulative Translation Adjustment upon the Sale or Transfer of a Group of Assets within a Foreign Subsidiary That Meets the Definition of a Business” (August 2011)
 2. A project on impairment of indefinite-lived intangible assets, to consider whether to include a qualitative screen, similar to the recent Accounting Standards Update on goodwill impairment.
 3. A research project to develop a framework for identifying and assessing the need for differential standards for private entities (July 2011).

- e. New projects considered but not added to the agenda:
 - 1. A proposal that the Board defer the effective date of Accounting Standards Update 2010-26 on accounting for costs associated with acquiring or renewing insurance contracts.
 - 2. A proposal that the Board provide guidance on the accounting for subsequent out-licensing of assets used in in-process research and develop projects acquired in a business combination.
 - 3. A proposal to reconsider the various different definitions of nonpublic entity as used in the FASB Accounting Standards Codification. The proposal will be considered in the FASB's research project to develop a framework for identifying and assessing the need for differential reporting standards for private entities.
 - 4. A proposal to provide guidance on the accounting for joint and several obligations within the standalone financial statements of a subsidiary under common control. The FASB chairman decided to conduct further research through the formation of a working group before deciding whether to add the potential issue to the EITF agenda.
 - 5. A proposal to provide guidance on the capitalization of interest related to bonds guaranteed by the federal government.
- f. No projects were removed from the technical agenda.
- g. The FASB and the IASB decided to reexpose their revised proposals for a common leases standard after their redeliberations of the original.
- h. Outreach Activities—Meetings of FASB Standing Advisory Groups:
 - 1. Investors Technical Advisory Committee (ITAC)
 - i. July 2011 meeting: Six Board members and several FASB staff members met and discussed with ITAC members the Board's projects on the accounting for financial instruments, leases, and multiemployer pension plans. Participants also discussed the SEC workplan on IFRS and provided feedback about the IASB's recent revisions to its pension accounting standard.
 - ii. September 2011 meeting: In two separate closed sessions, several Board members (less than a voting majority) and several FASB staff members discussed with ITAC members the projects on accounting for financial instruments, insurance, revenue recognition, leases, and disclosure framework. Committee members also discussed their views about the potential incorporation of IFRS in the U.S. and the SEC workplan on IFRS.
 - 2. Not-for-Profit Advisory Committee (NAC) meeting. Board members and several FASB staff members met with NAC members in a September public meeting to discuss ways to improve the financial reporting model for not-for-profit organizations. The NAC recommended several potential reporting improvements for agenda consideration by the FASB chairman, and educational efforts that could be carried out by the FASB staff, the NAC, or other organizations. The agenda requests will be considered by the chairman in the fourth quarter. NAC

participants also discussed recent developments in the not-for-profit sector that could have accounting implications; updates on the FASB's projects on leases, revenue recognition, and disclosure framework; and the applicability of the differential factors between public and private companies.

3. Private Company Financial Reporting Committee (PCFRC)

- i. July 2011 meeting: A Board member and several FASB staff members participated in the public meeting held in Minneapolis. The PCFRC discussed the Board's projects on consolidation: policies and procedures, consolidation: investment companies, investment properties, disclosures about an employer's participation in a multiemployer plan, accounting for financial instruments, revenue recognition, leases, disclosure framework, differential standard-setting framework for private companies, and goodwill impairment testing. Committee members also discussed the SEC staff Work Plan for the Consideration of Incorporating International Financial Reporting Standards into the Financial Reporting System for U.S. Issuers, recent activities of the IFRS for SMEs Implementation Group, and the FAF's post-implementation review process on the accounting for uncertainty in income taxes. Committee members also suggested improvements to the format and content of an Accounting Standards Update.
- ii. September 2011 meeting: A Board member and several FASB staff participated in the public meeting held in Las Vegas. The meeting agenda included discussion of the SEC's so-called condorsement approach to incorporated IFRS into the U.S. financial reporting system and updates on various FASB projects (revenue recognition, accounting for financial instruments, insurance contracts, investment companies, investment properties, leases, and disclosure framework). Committee members also discussed the FAF's private entity initiative and issues related to certain existing U.S. GAAP standards including accounting for variable interest entities, interest rate swaps, and level-three fair value measurements.

4. Private Company Resource Group (PCRG). In connection with staff research on a decision-making framework for private company standard setting, several FASB staff members discussed issues related to transition methods with the PCRG. That August teleconference meeting also included discussions about effective date considerations for the revenue recognition project.

i. Outreach Activities—Other Meetings with Industry or Other Representative Groups:

1. National Investor Relations Institute (NIRI). Two Board members and several FASB staff members met privately with NIRI in August.
2. Institute of Management Accountants (IMA): Six Board members met with the IMA's Financial Reporting Committee in a September public meeting. IMA representatives shared their general perspectives on the potential incorporation of IFRS in the U.S., the interpretive process for converged standards, and standard-

setting for nonpublic entities. They also discussed the Board's projects on accounting for financial instruments, revenue recognition, and leases.

3. AICPA Private Companies Practice Section Technical Issues Committee (TIC): Board members and several FASB staff members participated in a public meeting with TIC in September and discussed private company financial reporting issues, transition methods for private entities, and various ongoing FASB projects (investment properties, leases, revenue recognition, disclosure framework, and disclosures about risks and uncertainties and the liquidation basis of accounting.)
- j. Other significant project-specific outreach activities:
1. Accounting for financial instruments project: FASB staff conducted targeted outreach relating to the financial instruments project with a number of preparers and users of nonpublic entity financial statements.
 2. Impairment of indefinite-lived intangible assets: As part of its pre-agenda research activities, the FASB staff held a private workshop in August 2011 to discuss current standards with staff representatives of the SEC and PCAOB and preparer representatives of both public companies and private entities.
 3. Insurance contracts: The project was discussed in about a dozen conference calls with financial statements users and in various meetings with industry representative groups.
 4. Leases: The FASB staff discussed proposed accounting, presentation, and disclosure requirements with users of retail entity financial statements, participated in meetings and conferences with various industry representative groups, and conducted targeted outreach meetings with auditing firms. An FASB Board member and FAF staff met with the Executive Committee of the FEI Committee on Government Business to provide a briefing on the status of the leases project. Representatives of the FASB staff and the FAF staff met on two occasions with the U.S. Chamber of Commerce Leases Coalition.
 5. Revenue recognition: FASB staff discussed the project with various user groups, gave project update speeches at several conferences, and conducted targeted outreach activities with private company representatives.

COLLABORATION WITH THE INTERNATIONAL ACCOUNTING STANDARDS BOARD

- a. The FASB and the IASB held several multi-day joint video-conference Board meetings and three face-to-face joint Board meetings (London).
- b. An FASB Board member attended a meeting on impairment in London.

- c. The FASB and the IASB held small-group video-conference meetings on insurance, leases, and impairment.
- d. Representatives of the FASB and the IASB met privately with several stakeholder groups to obtain feedback on accounting for impairment.
- e. The FASB and the IASB directors met periodically to discuss technical and administrative matters.

OTHER INTERNATIONAL ACTIVITIES

- a. The FASB chairman and a Board member met with representatives of the Accounting Regulatory Department of the Ministry of Finance in Beijing.
- b. The FASB chairman and a Board member met with the Accounting Standards Board of Japan and representatives of Japan's Financial Services Agency in Tokyo.
- c. The FASB chairman, a Board member, and the technical director participated in the National Standard Setters meeting in Vienna, Austria.
- d. The FASB chairman, a Board member, and the technical director participated in the World Standard Setters meeting in London.
- e. Two FASB staff members participated in the September 2011 European Financial Reporting Advisory Group (EFRAG) Disclosure Framework Advisory Panel meeting in Paris.
- f. The FASB research director met with the chairman and senior staff members of the ANE (French Standard Setter) in Paris to discuss research efforts and other matters.
- g. The FASB chairman participated as an observer in the July 2011 SEC Roundtable on International Financial Reporting Standards.

XBRL ACTIVITIES

The FAF is responsible for the ongoing development and maintenance of the U.S. GAAP Financial Reporting Taxonomy applicable to public issuers registered with the SEC. The FAF has delegated these responsibilities to the FASB.

- a. On September 1, 2011, the FASB released the proposed 2012 Taxonomy for public review and comment. This proposed release includes changes from the 2011 Taxonomy for ASUs finalized since the last release, accommodation of common practices identified in SEC registrant XBRL Exhibits, and other adjustments to enhance usability. The deadline to submit written comments is October 31, 2011. This release is on time and in accordance with SEC expectation. The next milestone date is December 15, 2011, for delivery of the "candidate" release 2012 Taxonomy for final SEC review and acceptance.

ITEM 2: COMMUNICATIONS

SPEECHES DELIVERED

FASB Board members or staff delivered speeches at the following conferences and events:

- ACPEN Accounting and Auditing Update Broadcast
- AICPA National Conference on Banks & Savings Institutions
- AICPA/NAATS
- American Accounting Association Government & NFP Conference
- American Accounting Association Annual Meeting Panel on the Blue Ribbon Panel
- American Accounting Association Conference
- American Gas Association Accounting Principles Committee
- American Petroleum Institute Accounting Subcommittee
- California Society of CPAs CPE session and nonpublics discussion
- Center for Corporate Reporting & Governance at California State University Tenth Annual SEC Financial Reporting Conference
- Deloitte/Dewey & LeBoeuf/Standard & Poor's 3rd Annual Reactions North America Conference Risk and Capital Management Issues in 2011
- ELFA Lease and Finance Accountants Conference
- EY and University of Texas at Arlington
- Hudson Global Resources XBRL Filings Panel Discussion
- Illinois CPA Society 17th Annual Midwest Financial Reporting Symposium
- Kentucky Society of CPAs Annual Not-for-Profit Conference
- NAREIT Senior Financial Officer/Investment Relations Officer
- National Association of Independent Sureties
- National Association of Regulatory Utility Commissioners Conference
- National Association of Surety Bond Producers Update Call
- National Rural Electric Cooperative Association Annual Accounting, Finance & Tax Conference
- SEC Institute's Annual SEC Reporting and FASB Forum for Small Public Companies
- Surety Association of American FASB update call
- University of Texas McCombs School of Business Distinguished Speaker Lyceum

ITEM 3: ADMINISTRATIVE, PROCEDURAL, AND STRATEGIC ACTIVITIES

a. Administrative Matters:

1. All Board members attended the August FAF Trustees meeting.

b. Professional Development—FASB Board and Staff

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

- a. Successful Leaders in Today's Business Environment (The second of the FAF Leadership Series), James H. Quigley, former chief executive officer for Deloitte Touche Tohmatsu and former member of the FAF Board of Trustees shared his insights on what makes a good leader; how good leaders inspire, motivate, and coach others to work together for a common objective; and what he believes are the challenges and obstacles to good leadership.
 - b. Dr. Sam L. Savage, Author of *The Flaw of Averages: Why We Underestimate Risk in the Face of Uncertainty* (Wiley 2009), Chairman and Chief Scientist of Vector Economics, and Consulting Professor in Management Science and Engineering at Stanford University, shared his views on the flaw of the practice of forecasting business conditions with single “average” outcomes.
 - c. Lunch and Learn: Marking Financial Decisions in Challenging Times, Anne Wilkins, CRPC[®], CFP[®], Chapter Coordinator of the Fairfield County Chapter of the Foundation for Personal Financial Education, presented a thorough review of the retirement planning process and the obstacles that can keep us from reaching our goals.
 - d. Video Presentation of *Inside Job*, produced, written, and directed by Charles Ferguson, and Discussion about the Financial Crisis of 2008, Christopher Roberge, FASB Project Manager. This session included a viewing of the documentary *Inside Job*, which is the first film to expose the shocking truth behind the economic crisis of 2008, followed by a discussion about the film, the lessons learned from the crisis, and related accounting issues.
- c. Professional staff attended the following external conferences:
- 1. AICPA NAAATs Annual Conference
 - 2. AICPA Not for Profit Conference Industry Conference.

ITEM 4: GOVERNMENT AND REGULATORY LIAISON ACTIVITIES

- a. Members of Congress, their staffs, and the Administration were informed about the activities of the FASB through various meetings and other forums, including:
 - 1. A briefing of Senate Committee Banking Staff by an FASB Board member, FASB technical director, and FAF staff about FASB activities.

2. A briefing of Senate Permanent Subcommittee members on the accounting for income taxes on foreign earnings by an FASB Board member, FASB technical director, and FAF staff.
3. A briefing on convergence and emerging issues was provided to the Senior Minority Counsel for the House Financial Services Committee by an FASB Board member, FASB technical director, and FAF staff.
4. Quarterly briefing of bank regulators provided by the FASB chairman, FASB Board members, FASB technical director, and FAF staff.

ITEM 5: OTHER COMMUNICATIONS ACTIVITIES

- a. The FASB announced the following significant events through press releases, media advisories, or tweets:
 1. The FASB and the IASB decision to re-expose their leasing proposals
 2. The issuance of final standards covering:
 - Enhanced disclosures by employers about their participation in multiemployer pension plans
 - Simplified requirements for testing goodwill for impairment.
 3. The announcement of public roundtable meetings with users, preparers, and auditors of financial statements about their concerns about private entity reporting standards.
 4. The availability of the U.S. GAAP Financial Reporting Taxonomy for Public Review and Comment.
 5. The decision to hold an educational webcast entitled *IN FOCUS: Summary of Changes for the Proposed 2012 Taxonomy and Using XBRL Tables*.
- b. The FASB issued “FASB in Focus” documents for the following:
 1. Private Companies: The Path to a Differential Standard-Setting Framework (July 11, 2011)
 2. FASB Completes Redeliberations on Multiemployer Pension Plan Disclosure Project (Subtopic 715-80) (July 28, 2011)
 3. FASB Simplifies Guidance for Testing Goodwill for Impairment (August 12, 2011)
 4. FASB Completes Project on Multiemployer Pension Plan Disclosures (Subtopic 715-80) (September 21, 2011)
- c. Podcasts:
 - In July we posted a podcast in which the FASB chairman discussed the FASB’s work on a differential framework for private company standard setting.
- d. Media Outreach:
 - During the quarter ended September 30, 2011, members of the FASB or its staff participated in numerous interviews with media.

- The FASB chairman and staff met with representatives from Accounting Today & Compliance week to discuss private-company and international issues.

ITEM 6: GASB LIAISON ACTIVITIES

- a. GASB meeting minutes were sent to the FASB directors.
- b. The GASB RTA director and the FASB P&S director held monthly meetings and met quarterly with the FASB and GASB chairmen.
- c. The GASB staff distributed the following draft to the FASB for review:
 - Exposure Draft, *Reporting Balances Previously Recognized as Assets and Liabilities*.
- d. The FASB staff distributed the following drafts for GASB's review:
 - 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*
 - Accounting Standards Update, *Health Care Entities (Topic 954): Presentation and Disclosure of Certain Net Patient Service Revenue, Provisions for Bad Debts, and the Allowance for Doubtful Accounts—a consensus of the FASB Emerging Issues Task Force*
 - Accounting Standards Update, *Intangibles—Goodwill and Other (Topic 350): Testing Goodwill for Impairment*
 - Accounting Standards Update, *Compensation—Retirement Benefits—Multiemployer Plans (Subtopic 715-80): Disclosure about an Employer's Participation in a Multiemployer Plan*
 - Proposed Accounting Standards Update, *Property, Plant, and Equipment (Topic 360): Accounting for Derecognition of in Substance Real Estate—a Scope Clarification—a consensus of the FASB Emerging Issues Task Force*
 - Proposed Accounting Standards Update, *Technical Corrections*
 - Proposed Accounting Standards Update, *Revenue Recognition (Topic 605): Revenue from Contracts with Customers*
 - Proposed Accounting Standards Update, *Real Estate—Investment Property Entities (Topic 973): Accounting and Reporting by Investment Property Entities*
 - Proposed Accounting Standards Update, *Financial Services (Topic 946): Investment Companies*
 - Proposed Accounting Standards Update, *Consolidations (Topic 810): Agent versus Principal Analysis*.