

REPORT OF THE FASB CHAIRMAN

TO THE FINANCIAL ACCOUNTING FOUNDATION

April 1, 2012 through June 30, 2012

ITEM 1: TECHNICAL ACTIVITIES

BOARD AND STAFF ACTIVITIES

- a. No Accounting Standards Updates were issued.
- b. The following Exposure Documents were issued:
 1. Proposed Accounting Standards Update, *Statement of Cash Flows (Topic 230): Not-for-Profit Entities: Classification of the Sale of Donated Securities in the Statement of Cash Flows* (a consensus of the FASB Emerging Issues Task Force) (issued April 17, 2012). Comment deadline: July 16, 2012.
 2. Proposed Accounting Standards Update, *Business Combinations (Topic 805): Subsequent Accounting for an Indemnification Asset Recognized at the Acquisition Date as a Result of a Government-Assisted Acquisition of a Financial Institution* (a consensus of the FASB Emerging Issues Task Force) (issued April 17, 2012). Comment deadline: July 16, 2012.
 3. Proposed Accounting Standards Update, *Entertainment—Films (Topic 926): Accounting for Fair Value Information That Arises after the Measurement Date and Its Inclusion in the Impairment Analysis of Unamortized Film Costs* (a consensus of the FASB Emerging Issues Task Force) (issued April 17, 2012). Comment deadline: July 16, 2012.
 4. Proposed Accounting Standards Update, *Financial Instruments (Topic 825): Disclosures about Liquidity Risk and Interest Rate Risk* (issued June 27, 2012). Comment deadline: September 25, 2012.
- c. From time to time, the FASB will issue an Accounting Standards Update to amend the nonauthoritative portions of the *FASB Accounting Standards Codification*[®] (such as the nonauthoritative SEC content). No such Accounting Standards Updates were issued this quarter.
- d. New staff research began on pensions and government grants. That research will be presented to the Board for an agenda decision at a later date.
- e. Issue No. 12-F, “Recognition of New Accounting Basis (Pushdown) in Certain Circumstances,” was added to the EITF’s agenda (May 2012).
- f. The project on nonpublic entity fair value measurement disclosures was removed from the Board’s technical agenda. Input received through stakeholder outreach, including discussions with the FASB’s Private Company Financial Reporting

Committee and Small Business Advisory Committee, indicated that the benefits of proposed changes to the disclosure requirements for private companies would be significantly more limited than originally expected.

- g. Six Board members participated in the June 21, 2012, EITF meeting.
- h. Outreach Activities—Meetings of FASB Standing Advisory Groups:
 - 1. Financial Accounting Standards Advisory Council (FASAC): All Board members and several staff members participated in the June 2012 meeting of the FASAC. Council members discussed a variety of topics including the FASB’s approach to evaluating costs and benefits and its consideration of potential economic consequences, the disclosure framework project, the FAF Trustees’ plan for private company standard setting, and the FASB projects on nonpublic entities. The FASB staff also updated Council members on key issues in the revenue recognition project identified through recent outreach activities.
 - 2. Investors Technical Advisory Committee (ITAC): Three Board members and several staff members met with the ITAC in May 2012. ITAC members discussed the FASB’s projects on accounting for financial instruments, revenue recognition, and presentation of comprehensive income. ITAC members also discussed subsequent events and other financial reporting issues of concern to investors.
 - 3. Small Business Advisory Committee (SBAC): All Board members and several staff members participated in the May 2012 meeting of the SBAC, a portion of which was a joint session with the Private Company Financial Reporting Committee. Committee members discussed a variety of topics including the FASB’s projects on the private company decision-making framework, leases, investment companies, and fair value measurement disclosures. SBAC members also provided input on the relative priority of financial reporting issues that the FASB might focus on once its current priority projects are completed. The FASB staff also provided an education session for SBAC and Private Company Financial Reporting Committee members on the FASB’s projects on leases and investment companies.
 - 4. Private Company Financial Reporting Committee (PCFRC)
 - a. May 2012 meeting: Seven Board members and several FASB staff members participated in the public meeting held in Norwalk, part of which was a joint meeting with the SBAC. The PCFRC discussed the Board’s projects on leases (including the amortization pattern for a right-of-use asset); the private company decision-making framework; the definition of a nonpublic entity; guidance on accounting for a variable interest entity (VIE), including common VIE structures and why they are used by private companies; and EITF Issue No. 12-D, “Accounting for Joint and Several Liability for Which the Total Amount of the Obligation Is Fixed.” The PCFRC also discussed (1) whether the Board should modify required disclosures about fair value measurements currently required by a nonpublic entity and (2) arrangements that include related-party leases.

- b. June 2012 meeting: Five Board members and several FASB staff members participated in the public meeting held in Norwalk. The meeting agenda included discussion of the following FASB projects: fair value measurement disclosures; consolidations, variable interest entity guidance, and related party leases; accounting for financial instruments (including a discussion of impairment); presentation of comprehensive income; leases (recent decisions on lessee and lessor models); investment property entities; disclosure framework; liquidation basis of accounting and going concern; liquidity and interest rate risk disclosures; revenue recognition; and the private company decision-making framework and definition of a nonpublic entity.
 - 5. The FASB staff held a private teleconference with the Private Company Resource Group to discuss the draft private company decision-making framework.
- i. General Outreach Activities—Meetings with Industry or Other Representative Groups:
- 1. Health Care Financial Management Association (HFMA): Three Board members and several staff members met privately with HFMA’s Principles and Practices Board in May 2012. HFMA members provided input about the challenges and benefits of using different sets of standards (some use GASB; some use FASB within their sector) and discussed the FASB’s projects on leases and financial statement presentation. HFMA members also discussed current financial reporting issues that are important to the healthcare sector and their experience implementing guidance in recent Accounting Standards Updates.
 - 2. Financial Executives International (FEI): All Board members and the FASB technical director participated in a public meeting of FEI’s Committee on Corporate Reporting in June 2012. Topics discussed included the status of the SEC Workplan for Global Accounting Standards, FASB techniques for and philosophies about analyzing the costs and benefits associated with a potential financial reporting change, and the FAF’s formation of the Private Company Council. Committee members also discussed the FASB’s projects on the private company decision-making framework, disclosure framework, revenue recognition, leases, accounting for financial instruments, investment companies, presentation of comprehensive income, and going concern.
- j. Project-Specific Outreach Activities. The FASB members and staff actively seek stakeholder input through a variety of outreach activities, the more significant of which are described below.
- 1. Financial instruments: Tentative decisions on the accounting for impaired financial assets were discussed in private meetings with representatives of various financial institution regulators, financial institutions, public accounting firms, FASB standing advisory groups, and a number of other organizations.
 - 2. Definition of a nonpublic entity: Issues relating to the definition of a nonpublic entity were discussed in meetings with FASB Advisory Groups (FASAC, ITAC, SBAC, and PCFRC) and in private meetings with banking regulators, credit rating

- agencies, the AICPA's Technical Issues Committee, Independent Community Bankers Association, National Association of College and University Business Officers, and others.
3. Insurance contracts: Tentative decisions were discussed with representatives of seven investors and credit rating agencies, financial institution regulators, and the FASB's ITAC. The staff also sought information about the cost and operability of the proposals through meetings with various preparer and auditor groups such as the AICPA's insurance expert panel, representative members of the Reinsurance Association of America, the Accounting Committee of the American Council of Life Insurers, a forum of large life insurance companies sponsored by Ernst & Young, various U.S.-based property and casualty insurers, various U.S. title insurers, and representatives of the Canadian Life and Health Insurance Actuaries.
 4. Investment companies: Tentative decisions were discussed with various investors and six of the largest public accounting firms.
 5. Leases: The staff discussed tentative decisions with representatives of about 20 different investors and other users and over 40 companies with significant leasing activities (lessees and lessors). The project also was discussed with other groups, including CFA Institute, Corporate Financial Reporting User Forum, National Association of Real Estate Investment Trusts, and the Healthcare Financial Management Association.
 6. Accounting for repurchase agreements and similar transactions: FASB staff members improved their understanding of the nature, structure, and use of various types of repurchase agreements through meetings with representatives of the Securities Industry and Financial Markets Association, the Investment Company Institute, Mortgage Bankers Association, and others.
 7. Revenue recognition: FASB staff discussed tentative decisions with various users, including those following the energy, software, and services industry. The staff also discussed the project with companies in the homebuilding, telecommunications, timeshare, software, airline, defense contracting, pharmaceutical, and engineering and construction industries.

COLLABORATION WITH THE INTERNATIONAL ACCOUNTING STANDARDS BOARD

- a. The FASB and the IASB held several multi-day joint Board meetings; one in Norwalk and two in London.
- b. An FASB member participated in the joint FASB/IASB revenue recognition public roundtable meeting held in Tokyo.
- c. The FASB members and staff participated in the joint FASB/IASB revenue recognition public roundtable meetings held in Norwalk.
- d. An FASB member participated in a public meeting of the insurance contracts working group held in London.
- e. The FASB and the IASB held private, small-group video-conference meetings on insurance, revenue recognition, financial instruments, classification and measurement, leases, and impairment.

- f. The FASB and the IASB directors met periodically to discuss technical and administrative matters.

OTHER INTERNATIONAL ACTIVITIES

- a. An FASB member attended the European Financial Reporting Advisory Group (EFRAG) meeting in Valencia, Spain.
- b. The FASB chairman and technical director had a conference call with the chairman and technical director of EFRAG to discuss matters of mutual interest.
- c. An FASB member participated in a public meeting of the International Integrated Reporting Council in Frankfurt.
- d. In May 2012, an FASB member and a few staff members met privately with a group of professors from Japan. The discussion focused on views about the use of fair value measurements and on the financial accounting and reporting for financial instruments.
- e. In June 2012, two FASB members and a staff member met privately with representatives from Japan's Ministry of Economy, Trade and Industry. The discussion focused on the FASB's convergence activities and the possible incorporation of IFRS into the U.S. financial reporting system.

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. XBRL staff provided information and guidance on the nature and use of the U.S. GAAP Financial Reporting Taxonomy through the following webinars and conferences:
 - 1. April 2012—Rivet Software (XBRL Solutions) webinar for its clients
 - 2. April 2012—Vintage Filings (XBRL Solutions) webinar for its clients
 - 3. April 2012—XBRL Conference at Suffolk University, Boston, MA
 - 4. May 2012—FASRI webinar on XBRL data in use
 - 5. May 2012—XBRL US Detailed Tagging Workshop at Baruch College, NY
 - 6. June 2012—Maryland Society of CPA Innovation Summit around Transparency, Performance Management, and Accountability using XBRL.
- b. April and June 2012—XBRL staff, FASB members, and FASB staff met privately with representatives of data aggregator FactSet to gain a better understanding of their requirements for XBRL tagged data; more specifically, to gain a better understanding of how they collect and use financial information and how that might affect the Board's standard-setting considerations and to gather input on segment disclosure modeling.
- c. April 19, 2012—XBRL staff and FAF Post Implementation Review (PIR) staff participated in a RIXML quarterly conference call to provide an overview of XBRL data in use and to solicit RIXML member input into the PIR process and XBRL taxonomy development.
- d. XBRL staff hosted a monthly conference call and a face-to-face meeting at the FASB offices for the FASB Taxonomy Advisory Group (TAG). The TAG includes participants from preparers, CPA firms, service providers, data aggregators, and

analysts. This advisory group provides valuable input on the changes and directions taken with each taxonomy release.

- e. XBRL staff participated in the IASB XQRT meetings on May 9 by conference call. This group provides input and guidance for the IFRS taxonomy effort.

ITEM 2: EDUCATION AND COMMUNICATIONS

EDUCATIONAL WEBCASTS AND PODCASTS DELIVERED

a. Webcasts

1. April 2012 Webcast, IN FOCUS: Using XBRL Tables
2. FASB Update for Nonpublic Entities, with FASB Board members Tom Linsmeier and Marc Siegel.

b. Podcasts:

1. FASB Member Larry Smith and Ron Bossio, Senior Project Manager, Discuss the Board's Various Initiatives to Improve Financial Reporting by Not-for-Profit Organizations.
2. FASB Member Marc Siegel Discusses the Proposed Accounting Standards Update on Liquidity and Interest Rate Risk Disclosures.

SPEECHES DELIVERED

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

- ACLI Investor Forum
- AICPA 125th Anniversary
- AICPA Fair Value Conference
- AICPA Insurance Expert Panel
- AICPA International Business Conference
- AICPA Not-for-Profit Conference
- American Petroleum Institute Bi-Annual Subcommittee Meeting
- Baker Tilly International North American Regional Conference
- Baruch College 11th Annual Financial Reporting Conference
- CalCPA PCSIC
- CalCPA Accounting Principles & Standards Committee
- CFMA Construction Conference
- Colorado CPA Society Not-for-Profit Conference
- Compliance Week 7th Annual Conference
- Council for Advancement & Support of Education (CASE) 20th Annual Conference for Institutionally Related Foundations
- CSCPA Not-for-Profit Conference
- Dallas Society of CPAs Annual Education Conference
- Dow Jones Private Equity
- Ernst & Young Global Webcast
- FEI Monthly Meeting

- FICPA 2012 Not-for-Profit Conference
- FICPA Mega Conference, Orlando
- FICPA Mega Conference, Tampa
- Houston Society of CPAs Financial Reporting Symposium
- IMA's 93rd Annual Conference and Exposition
- IMA Northern Lights Regional Council
- Kansas State Society of CPAs Accounting & Assurance Conference
- Maryland Society of CPAs Governmental and Not-for-Profit Conference
- Massachusetts Society of CPAs 43rd Annual Accounting & Auditing Conference
- Michigan Association of CPAs Spring Accounting & Auditing Forum
- National Association of College and University Business Officers (NACUBO)
- National Assembly (United Way) CFO Affinity Group
- New England Graduate Accounting Study Conference (NEGASC)
- Northern Lights Regional Council of the Institute of Management Accountants Annual Seminar
- Ohio IMA & Kent State University 38th Meonske Professional Development Conference
- Oklahoma State University Accounting Practicum
- OSCP A Not-for-Profit Conference
- PICPA Not-for-Profit Conference
- Practising Law Institute (PLI) Audit Committee Workshop 2012
- Reinsurance Association of America
- Rothstein Kass Leadership, Inspiration, Family, Empowerment (LIFE)
- SEC Institute 27th Midyear SEC Reporting & FASB Forum
- Society of Accountants for Cooperatives (NSAC)
- University of Colorado Leeds School Student Presentations
- University of Illinois at Chicago Accounting Banquet
- University of Mississippi Patterson School of Accountancy
- University of Tulsa School of Accounting and MIS 66th Annual Conference of Accountants
- University of Virginia McIntire School of Commerce
- University of Washington 8th Annual Financial Reporting Conference
- University of Wisconsin School of Business
- USC Marshall School of Business 31st Annual SEC & Financial Reporting Conference

ITEM 3: ADMINISTRATIVE, PROCEDURAL, AND STRATEGIC ACTIVITIES

a. Administrative Matters:

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

b. Professional Development—FASB Board and Staff

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

- a. Takeaways from the 2011 FASB-IASB Financial Reporting Issues Conference, Tom Linsmeier, FASB Member; Jim Leisenring, FASB Senior Advisor; Lynn Rees, FASB Practice Fellow; Brian North, FASB Assistant Project Manager. The primary topic that was discussed at the conference was the statement of comprehensive income and the remeasurement and presentation of earnings.
- b. Analysis of Financial Data, Louis Matherne, FASB Chief of Taxonomy; Donna Johaneman, FASB XBRL Project Manager; Vickie Lusniak, FASB XBRL Assistant Project Manager; Adrienne Couture, FASB XBRL Best Practice Team Leader; David Shaw, FASB XBRL Project Research Associate; and Alex Rapp and Pranav Ghai co-founders of Calcbench. In this session, members of the XBRL team and guest speakers from Calcbench discussed and demonstrated various methods and tools to manage XBRL data and how those data can be used for research.
- c. New York Law and Ethics, Timothy F. Gearty, Becker Gearty CPE. Timothy Gearty presented a course on New York Law and Ethics. This course met the specific state ethic requirements for the State of New York and also satisfied most states' ethics requirements where general ethics courses are acceptable.
- d. FASB Update on Recent Activity on Leases and on Key Issues in Investment Companies, Upaasna Laungani, Danielle Zeyher, and Patricia Donoghue, FASB Project Managers, and Cullen Walsh, FASB Practice Fellow. Those staff members provided an educational update for SBAC and PCFRC members on the recent decisions/input in the FASB's leases and investment company projects.
- e. Forensic Accounting, Marc Siegel, FASB Member and Lynn Rees, FASB Practice Fellow. This session focused on how analysts/investors/lenders can use accounting data to make better decisions.
- f. Income Tax Accounting (Topic 740), Doug Besch, KPMG Partner; Bill Connolly, KPMG Partner; and Brian Schilb, KPMG Senior Manager. The speakers provided a brief overview of Codification Topic 740, Income Taxes, including the steps for preparing a tax provision and a review of common permanent and temporary differences. The speakers explored the tax implications of the joint FASB-IASB major projects (revenue recognition, leases, insurance contracts, and accounting for financial instruments). Finally, the speakers reviewed the accounting for investments in foreign subsidiaries, valuation allowance considerations, uncertainty in income taxes, and intraperiod allocation.
- g. Current Update on the Activities of the Public Company Accounting Oversight Board (PCAOB), Barb Vanich, Associate Chief Auditor, PCAOB. This session provided an improved understanding of the PCAOB's recent proposals and initiatives.
- h. Analysis of Financial Data using XBRL with FactSet Perspective, Justin Strand, Joe Clair, Scott Gavlick, and Richard Rose from FactSet and Louis Matherne, FASB Chief of Taxonomy; Donna Johaneman, FASB XBRL Project Manager; and David Shaw, FASB XBRL Assistant Project Manager. In this session, members of the XBRL team and guest speakers from FactSet discussed using XBRL data, data aggregator requirements, and standard-setting considerations.

- i. The SEC Historical Society's live video broadcast, *A Creative Irritant: The Relationship between the SEC and Accounting Standard Setters* (13th Annual Meeting Program). Jim Leisenring, FASB Senior Advisor, served as moderator for this PD session. The live video was moderated by George P. Fritz, Curator, The Richard C. Adkerson Gallery, on the SEC's Role in Accounting Standards Setting, as part of the building of the Adkerson Gallery. Additional commentary on the video was provided by:
 - Dennis Beresford, University of Georgia, Terry College of Business, and former Chairman, Financial Accounting Standards Board
 - Edmund Jenkins, former Chairman, Financial Accounting Standards Board, and retired partner, Arthur Anderson & Co.
 - A. Clarence Sampson, former SEC Chief Accountant, and former Board member, Financial Accounting Standards Board.
- j. Update on Research Tools Currently in the Library, Charry Boris, Manager of Library Services. Charry described the content and usage of 15 electronic database tools that provide information on topics including accounting, auditing, financial reporting, SEC filings and literature, international accounting, U.S. tax laws and regulations, and general business.

ITEM 4: GOVERNMENT AND REGULATORY LIAISON ACTIVITIES

- a. Members of the SEC, the PCAOB, Congress, their staffs, and the Administration were informed about the activities of the FASB through various meetings and other forums, including:
 1. The FASB chairman and FAF vice president explained the status of the lease accounting project to Congressman Ed Perlmutter.
 2. An FASB member, the FASB technical director, and the FAF vice president participated in a video conference with senior staff of the Senate Permanent Subcommittee on Investigations to discuss technical interpretations of the accounting for tax effects of undistributed earnings of foreign subsidiaries (closed meeting).
 3. The FASB chairman provided a written response to the May 17, 2012, letter from a group of Congressmen about the leasing project.
 4. The FASB chairman and the FAF vice president participated in the following closed meetings with members of Congress, who are accountants, to discuss matters of mutual interest:
 - a. Congressman John Campbell, Member of the House Financial Services Committee and Bi-Partisan Accountants Caucus
 - b. Congressman Steve Palazzo, Member of the Bi-Partisan Accountants Caucus

- c. Congressman John Renacci, Member of the House Financial Services Committee and Bi-Partisan Accountants Caucus
 - d. Congressman Michael Conaway, Member of the Agriculture Committee and Co-Chair of the Bi-Partisan Accountants Caucus.
5. An FASB member and the FAF vice president updated senior staff members of the Senate Banking Committee on the status of the leases project.
 6. The FASB chairman, an FASB member, and the FASB technical director participated in quarterly meetings with staff members of the SEC's Office of the Chief Accountant and the Public Company Accounting Oversight Board (closed meeting).
 7. The FASB chairman, an FASB Board member, the FASB technical director, and the FAF vice president participated in the quarterly meeting with the financial institutions regulators (closed meeting).

ITEM 5: OTHER COMMUNICATIONS ACTIVITIES

- a. The FASB issued the following press releases/media advisories/Tweets:
 1. 6.4.12: Registration Opens for June 28 Webcast, *IN FOCUS: FASB Update for Nonpublic Entities*
 2. 6.13.12: IASB and FASB Agree on Lease Accounting Approach
 3. 6.22.12: Reminder: Register Now for June 28 Webcast, *IN FOCUS: FASB Update for Nonpublic Entities*
 4. 6.27.12: FASB Publishes Proposal for Disclosing Liquidity and Interest Rate Risk
- a. The FASB issued "FASB in Focus" documents for the following:
 1. 6.27.12: FASB Proposal on Liquidity Risk and Interest Rate Risk Disclosures
- b. Media Outreach:
 1. During the quarter ended June 30, 2012, members of the FASB or its staff participated in numerous interviews with media.

ITEM 6: GASB LIAISON ACTIVITIES

- a. GASB and FASB meeting minutes were shared with the FASB and GASB directors.
- b. The GASB and FASB directors met monthly to discuss their technical agenda projects and other matters of mutual interest. The FASB and GASB chairmen and their respective directors held their quarterly meeting to discuss technical issues and other matters of mutual interest.
- c. The GASB staff distributed the following drafts to the FASB for review:

- GASB Statement No. 67, *Financial Reporting for Pension Plans*
 - GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*
 - Exposure Draft, *Accounting and Financial Reporting for Nonexchange Financial Guarantee Transactions*.
- d. The FASB staff distributed the following drafts for the GASB’s review:
- Final Accounting Standards Update, *Health Care Entities (Topic 954): Continuing Care Retirement Communities—Refundable Advance Fees*
 - Final Accounting Standards Update, *Intangibles—Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment*
 - Final Accounting Standards Update, *Technical Corrections 2011*
 - Proposed Accounting Standards Update, *Financial Instruments (Topic 825): Disclosures about Liquidity Risk and Interest Rate Risk*
 - Proposed Accounting Standards Update, *Presentation of Financial Statements (Topic 205): The Liquidation Basis of Accounting*
 - Proposed Accounting Standards Update, *Liabilities (Topic 405): Obligations with Joint and Several Liability* (a consensus of the FASB Emerging Issues Task Force)
 - Proposed Accounting Standards Update, *Not-for-Profit Entities (Topic 958): Personnel Services Received from an Affiliate* (a consensus of the FASB Emerging Issues Task Force)
 - Invitation to Comment, *Disclosure Framework*
 - Invitation to Comment, *Private Company Decision-Making Framework*.