

REPORT OF THE FASB CHAIRMAN

TO THE FINANCIAL ACCOUNTING FOUNDATION

October 1, 2012 through December 31, 2012

ITEM 1: TECHNICAL ACTIVITIES

BOARD AND STAFF ACTIVITIES

- a. The following Accounting Standards Updates were issued:
1. Accounting Standards Update No. 2012-05, *Statement of Cash Flows (Topic 230): Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows* (a consensus of the FASB Emerging Issues Task Force) (issued October 2012)
 2. Accounting Standards Update No. 2012-06, *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 October 2012)
 3. Accounting Standards Update No. 2012-07, *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 October 2012).
- b. The following Exposure Documents were issued:
1. Proposed Accounting Standards Update, *Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity* (a consensus of the FASB Emerging Issues Task Force) (issued October 11, 2012). Comment deadline: December 10, 2012
 2. Proposed Accounting Standards Update, *Consolidation (Topic 810): Accounting for the Difference between the Fair Value of the Assets and the Fair Value of the Liabilities of a Consolidated Collateralized Financing Entity* (a consensus of the FASB Emerging Issues Task Force) (issued October 11, 2012). Comment deadline: December 10, 2012
 3. Proposed Accounting Standards Update, *Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities* (issued November 26, 2012). Comment deadline: December 21, 2012
 4. Proposed Accounting Standards Update, *Financial Instruments—Credit Losses (Subtopic 825-15)* (issued December 20, 2012). Comment deadline: April 30, 2013.

- c. The following projects were added to the FASB’s technical agenda:
 - 1. Balance Sheet Offsetting—Scope Clarification of Accounting Standards Update No. 2011-11 (October 2012)
 - 2. Nonpublic Entities—Clarification of a Fair Value Disclosure Requirement (December 2012)
 - 3. The following issues were added to the EITF’s agenda in November 2012:
 - a. Issue No. 13-A, “Inclusion of the Fed Funds Effective Swap Rate as a Benchmark Interest Rate for Hedge Accounting Purposes”
 - b. Issue No. 13-B, “Accounting for Investments in Tax Credits”
 - c. Issue No. 13-C, “Presentation of a Liability for an Unrecognized Tax Benefit When a Net Operating Loss Carryforward or Tax Credit Carryforward Exists.”
- d. No projects were removed from the FASB agenda before their completion.
- e. Meetings of FASB Standing Advisory Groups:
 - 1. Financial Accounting Standards Advisory Council (FASAC):
 - a. All Board members and several FASB staff members participated in the October 2012 meeting of the FASAC. Council members discussed the reasons non-GAAP measures are used and continued their discussion about the FASB’s approach to evaluating costs and benefits.
 - b. All Board members and several FASB staff members participated in the December 2012 meeting of the FASAC. Council members discussed the development of a comprehensive FASAC survey on priorities that will be conducted in 2013 and their views about transition, the implications and preparation for transition for preparers and users, and implementation guidance related to the FASB’s project on revenue recognition.
 - c. FASB members and FASB senior staff met with the FASAC chairman to discuss recommendations arising from his review of the structure and operation of the FASB’s advisory groups. The FASB chairman expects to study those recommendations and coordinate with the FAF to develop an implementation plan in the first quarter of 2013.
 - 2. All Board members and several staff members participated in the December meeting of the Private Company Council (PCC).
 - 3. Investors Technical Advisory Committee (ITAC):
 - a. Six Board members and several FASB staff members met with the ITAC in November 2012. Matters discussed included the projects on the accounting for financial instruments, disclosure framework, and going concern. Committee members also discussed current revenue recognition and segment disclosures.
- f. Advisory Group Membership Changes:
 - 1. Three ITAC members completed their terms on December 31, 2012— Mark LaMonte, Elizabeth Mooney, and Mark Newsome. New candidates will be considered for appointment in the first quarter of 2013.
- g. Outreach Activities—Meetings with Industry or Other Representative Groups:

1. IMA's Small Business Regulatory and Financial Affairs Committee (SBC). One Board member and several FASB staff members participated in a closed meeting (conference call) with IMA's SBC. Matters discussed included private company accounting initiatives, including the Private Company Council, and the FASB's process for considering and reviewing comment letters.
 2. American Gas Association (AGA) and Edison Electric Institute (EEI). Two Board members and the FASB technical director met in a closed meeting with AGA and EEI members. Key discussion topics included the FASB's projects on leases, revenue recognition, and accounting for financial instruments. AGA and EEI members also provided an update on financial reporting implications of industry trends and changes.
 3. Financial Executives Institute (FEI). A Board member participated in the quarterly meetings of FEI's Committee on Corporate Reporting.
- h. Project-Specific Outreach Activities. The more significant project-specific outreach activities undertaken included:
1. *Impairment of financial instruments*: The Board and FASB staff continued outreach activities relating to the current expected credit loss model for impairment proposed in the Board's December 2012 Exposure Draft.
 - a. The Board hosted an educational webcast to explain the proposed current expected credit loss model.
 - b. Staff and Board representatives discussed the proposed model with the Private Company Financial Reporting Committee, ITAC, targeted financial institutions, financial institution regulators, and one of the major public accounting firms.
 - c. FASB representatives also provided an educational overview of the proposed model to various financial analysts.
 2. *Balance sheet offsetting*: FASB staff discussed issues arising from the implementation of the recently issued Accounting Standards Update on balance sheet offsetting in private meetings with a number of major financial institutions, financial institution representative groups (ISDA and SIFMA), and two of the major public accounting firms.
 3. *Disclosure framework*: The Board and FASB staff continued outreach activities relating to the Invitation to Comment issued in July:
 - a. The Board and the Center for Audit Quality sponsored two forums to discuss flexible disclosure requirements, reporting entity discretion in identifying appropriate disclosures, and the overlap between SEC requirements and FASB requirements. The invited participants included financial statement preparers, users, and auditors, as well as attorneys and regulators.
 - b. A Board member and an FASB staff member attended outreach events sponsored by EFRAG at which both the EFRAG Discussion Paper on disclosures and the FASB Invitation to Comment were discussed.

4. *Going concern:* Board and FASB staff representatives met with representatives of the SEC, PCAOB, and ASB to coordinate development of proposed changes to this area. The project was also discussed with ITAC, the FASB's Private Company Council, the CAQ's Task Force on Going Concern, and the AICPA's Technical Issues Committee.
5. *Insurance contracts:* The Board and FASB staff continued outreach activities in connection with the development of an Exposure Draft on accounting for insurance contracts:
 - a. Board and staff representatives discussed the project with users at a Columbia Business School-sponsored roundtable and other meetings with investors.
 - b. Board and staff representatives discussed the project with representatives of a wide variety of insurance companies through industry conferences and roundtables sponsored by two of the major accounting firms and other meetings.
6. *Leases:* The FASB staff discussed the leasing proposal with ITAC, the PCFRC, representatives of the National Association of Real Estate Investment Trusts, and two of the major public accounting firms.
7. *Not-for-profit financial reporting: financial statements:* The FASB staff conducted outreach to better understand user information needs, meeting with representatives of the major credit rating agencies and other users.
8. *Accounting for repurchase agreements:* The FASB staff continued its outreach activities, discussing various technical and practical issues with major financial institutions, the four major public accounting firms, and representatives of the PCAOB.
1. *Revenue recognition:* Representatives of the Board and FASB staff continued outreach activities to inform the redeliberations of the 2011 Exposure Draft issued jointly with the IASB:
 - a. Staff members discussed a variety of technical issues with representatives of the SEC.
 - b. Workshops were held in New York, Tokyo, and London to discuss proposed disclosure requirements with preparers and financial statement users.
 - c. Staff discussed technical and practical issues with representatives of the construction, aerospace and defense, asset management industries, and various other individual companies.

COLLABORATION WITH THE INTERNATIONAL ACCOUNTING STANDARDS BOARD

- a. The FASB and the IASB held several multi-day joint Board meetings by video conference.
- b. The FASB and the IASB held private, small-group video-conference meetings on the joint revenue recognition project.

- c. 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 participated in the IFASS National Standard Setters meeting in Zurich.
- b. An FASB Board member participated in the World Standard Setters meeting in London.
- c. An FASB Board member participated in the EFRAG Disclosure Framework meeting in Amsterdam.
- d. The FASB/IASB Financial Reporting Issues Conference was held in Norwalk.

XBRL ACTIVITIES

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

- a. Technical activities:
 - 1. In December 2012, delivered the 2013 US GAAP Financial Reporting *Taxonomy* (UGT) and supporting collateral to SEC as final, posting it to the website as final pending SEC acceptance.
 - 2. Developed a revised calculation hierarchy for the UGT for publishing as beta in first quarter 2013.
- b. Outreach activities included the following:
 - 1. A conference call with 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.
 - 2. Twice monthly conference calls with the XBRL Insurance Working Group to facilitate taxonomy improvements for the insurance industry.
 - 3. Monthly XBRL US Best Practice conference calls.
 - 4. A private meeting of FASB Board and staff members with representatives of Bloomberg (data aggregator) to learn about their requirements for XBRL tagged data and how they collect and use financial information.
- c. Educational efforts: FASB XBRL staff wrote several articles and spoke at a variety of conferences.
- d. Other XBRL activities:
 - 1. XBRL staff participated in IASB XAC and XQRT Meetings in London, providing input and guidance for the IFRS taxonomy effort. XBRL staff met with China Banking Regulatory Commission representatives to share

our experience with the ongoing development and maintenance of the UGT.

2. FASB staff participated in the first meeting and a following meeting (December 12, 2012) of an NFP industry working group focused on developing a NFP taxonomy built off of the UGT.

ITEM 2: EDUCATION AND COMMUNICATIONS

EDUCATIONAL WEBCASTS AND PODCASTS DELIVERED

- a. The FASB hosted the following educational webinars:
 1. IN FOCUS: The FASB Private Company Decision-Making Framework Project
 2. IN FOCUS: Accounting for Credit Losses on Financial Instruments
 3. IN FOCUS: FASB Update for Nonpublic Entities.
- b. Podcasts:
 1. FASB Member Tom Linsmeier Provides an Overview of the FASB's Proposed Standard to Improve Accounting for Credit Losses on Financial Assets.

SPEECHES DELIVERED

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

- AAA Northeast Regional Meeting
- AAA/Bryant University Northeast Conference
- ACLI Annual Conference
- ACPEN Not-for-Profit Accounting and Tax Update
- AGC Construction Financial Management Conference
- AICPA National Conference on Credit Unions
- AICPA National Construction Industry Conference
- AICPA National Governmental & Not-for-Profit Training Program
- AICPA National Healthcare Industry Conference
- AICPA SEC & PCAOB Conference
- AICPA SIFMA National Conference on Securities Industry
- Baruch College Emanuel Saxe Distinguished Lecture in Accountancy
- BNA Bloomberg Webinar
- Bryant University Annual XBRL Conference
- College of William & Mary Master of Accounting Program
- Duquesne University Master of Accountancy Program
- ELFA Annual Convention
- Ernst & Young Accounting Change Symposium
- FDIC 6th Annual Accounting & Auditing Conference
- Federal Reserve Board Accounting Communications Network Fall Meeting
- FEI 31st Annual Current Financial Reporting Issues

- FEI Seattle/Washington State Chapter Meeting
- ICI Tax & Accounting Conference
- IMA Hartford Chapter
- Institutional Investor's US Institute CFO Forum
- KPMG Global FR and Valuation Conference
- Missouri Society of CPAs Not-for-Profit Conference
- Mortgage Bankers Association 2012 Accounting & Financial Management Conference
- NACD 2012 Board Leadership Conference
- Nexia International Audit Forum Meeting
- NJCPA Non-Profit Conference
- NYSSCPA Foundation for Accounting Education
- NYSSCPA IFRS Conference
- Oklahoma State University 12th Annual Accounting & Financial Reporting Conference
- The SEC Institute 28th Annual SEC Reporting & FASB Forum
- The SEC Institute SEC Reporting Conference
- South Carolina Association of CPAs 2012 Accounting & Auditing Conference
- United Way Worldwide 11th Annual United Way Financial Management and Human Resources Forum
- University of Florida/FICPA Accounting Conference
- University of Michigan
- University of New Orleans
- University of North Texas Professional Development Institute—Accounting & Financial Reporting Update Conference
- University of Oklahoma Professional Development Speaker Series
- Utah State Huntsman School Accounting Conference
- WSCPA Not-for-Profit Conference
- XBRL US XBRL and Corporate Actions Forum
- XBRL US Update on US GAAP Taxonomy

ITEM 3: ADMINISTRATIVE, PROCEDURAL, AND STRATEGIC ACTIVITIES

a. Administrative Matters:

1. Five Board members attended the November FAF Trustees meeting.
2. The FASB chairman developed a proposed 2013 operating budget, submitting it to the FAF Trustees for approval.

b. Professional Development—the following professional development sessions were presented to the Board and staff:

1. Application and Modeling of XBRL Financial Data. Louis Matherne, FASB Chief of Taxonomy Development; David Shaw, XBRL Assistant Project Manager, and Meredith Cheng, Project Research Associate, instructed

- participants in how XBRL data are used and the interaction between XBRL data modeling and the standard-setting process. The session covered the application and modeling of XBRL Financial Data and included a demonstration of XBRL data in use.
2. Private Company Update. Michael Cheng, FASB Project Manager, and Liz Gagnon, FASB Project Manager, explained to participants the various private company initiatives under way at the FASB. The session included an overview of the newly established Private Company Council, the Board's Invitation to Comment describing a proposed decision-making framework for private companies, and tentative decisions reached in the Board's project to develop a definition of nonpublic entity.
 3. Lessons Learned: Key Takeaways from Recent Company/Market Decline. Dan Mahoney, Global Head of CFRA.
 4. XBRL staff attended a two-day data modeling workshop held at the FASB's offices.

ITEM 4: GOVERNMENT AND REGULATORY LIAISON ACTIVITIES

- a. Members of the SEC, the PCAOB, Congress, and the Administration and their staffs were informed about the activities of the FASB through various meetings and other forums, including:
 1. The FASB technical director and the FAF vice president provided input to the House Financial Services Oversight & Investigations Subcommittee regarding the November 2012 report of the Subcommittee's March 28, 2012 hearing on MF Global.
 2. The FASB chairman, at least two FASB members, and the FASB technical director participated in a meeting regarding Congressional and Administration activities important to the FASB (closed meeting).
 3. 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.
 4. An FASB member met privately with representatives of the Office of the Comptroller of the Currency.
 5. The FASB chairman met with members of the Financial Stability Board Steering Committee (including the IASB chairman) to discuss progress on the project on the accounting for financial instruments (closed meeting).
 6. The FASB chairman and a staff member participated in a meeting with international bank regulators, financial institutions, IASB Board and staff members, and an SEC staff member to discuss projects relating to the financial services industry (closed meeting).

- b. An FASB member participated as an observer in the semi-annual meeting of the PCAOB’s Standards Advisory Group.

ITEM 5: OTHER COMMUNICATIONS ACTIVITIES

- a. The FASB issued the following press releases/media advisories/Tweets:
 - 1. Register Today for the FASB’s “Encore” CPE Webcast on the Private Company Decision-Making Framework Project on October 18
 - 2. Newly Created Private Company Council to Hold Inaugural Public Meeting on December 6
 - 3. Registration Opens for November 9 Webcast, *IN FOCUS: Accounting for Credit Losses on Financial Instruments*
 - 4. FASB Extends Invitation to Comment on Private Company Decision-Making Framework Staff Paper to November 9
 - 5. FASB Extends Disclosure Framework Comment Period to November 30
 - 6. FASB Statement on Financial Stability Board’s Report on Bank Risk Disclosures
 - 7. FASB Issues Proposal to Clarify Scope of Disclosures That Apply to Balance Sheet Offsetting of Assets and Liabilities
 - 8. Financial Accounting Foundation Appoints Four New Members to the Financial Accounting Standards Advisory Council
 - 9. Registration Opens for December 13th CPE Webcast *IN FOCUS: FASB Update for Nonpublic Entities*
 - 10. Private Company Council Holds Inaugural Meeting, Identifies Four Areas for Study
 - 11. Report on First PCC Meeting to Be Featured in December 13 Webcast, *IN FOCUS: FASB Update for Nonpublic Entities*
 - 12. FASB and Center for Audit Quality Issue Forum Observations Summary on Disclosure Effectiveness
 - 13. FASB to Webcast Technical Forum for Continuing Professional Education Providers
 - 14. FASB Proposes Improvements to Accounting for Credit Losses on Financial Assets
 - 15. U.S. GAAP Financial Reporting Taxonomy Now Available.
- b. The FASB issued “FASB in Focus” documents for the following:
 - 1. Proposed Accounting Standards Update—*Financial Instruments—Credit Losses (Subtopic 825-15)*
- c. Media Outreach:
 - 1. During the quarter ended December 31, 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 a draft of GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, to the FASB for review.
- d. The FASB staff distributed the following drafts for the GASB's review:
 1. Proposed Accounting Standards Update, *Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities*
 2. Proposed Accounting Standards Update, *Financial Instruments—Credit Losses (Subtopic 825-15)*
 3. Proposed Accounting Standards Update, *Financial Instruments (Topic 825): Clarifying the Scope and Applicability of a Particular Disclosure to Nonpublic Entities*
 4. Proposed Accounting Standards Update, *Transfers and Servicing (Topic 860): Reconsideration of Effective Control for Agreements That Entitle and Obligate the Transferor to Repurchase or Redeem Transferred Financial Assets and Accounting for Repurchase Financings*.