

REPORT OF THE FASB CHAIRMAN  
TO THE FINANCIAL ACCOUNTING FOUNDATION  
July 1, 2013 through September 30, 2013

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**ITEM 1: TECHNICAL ACTIVITIES**

**FINAL STANDARDS AND DOCUMENTS ISSUED FOR PUBLIC COMMENT**

- a. The following final Accounting Standards Updates were issued:
1. Accounting Standards Update No. 2013-09, *Fair Value Measurement (Topic 820): Deferral of the Effective Date of Certain Disclosures for Nonpublic Employee Benefit Plans in Update No. 2011-04* (issued July 2013).
  2. Accounting Standards Update No. 2013-010, *Derivatives and Hedging (Topic 815): Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes* (a consensus of the Emerging Issues Task Force issued July 2013).
  3. Accounting Standards Update No. 2013-011, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists* (a consensus of the Emerging Issues Task Force issued July 2013).
- b. The following Exposure Documents were issued for public comment:
1. Proposed Accounting Standards Update, *Intangibles—Goodwill and Other (Topic 350): Accounting for Goodwill* (a proposal of the Private Company Council, issued July 1, 2013). Comment deadline: August 23, 2013.
  2. Proposed Accounting Standards Update, *Business Combinations (Topic 805): Accounting for Identifiable Intangible Assets in a Business Combination* (a proposal of the Private Company Council, issued July 1, 2013). Comment deadline: August 23, 2013.
  3. Proposed Accounting Standards Update, *Derivatives and Hedging (Topic 815): Accounting for Certain Receive-Variable, Pay-Fixed Interest Rate Swaps* (a proposal of the Private Company Council, issued July 1, 2013). Comment deadline: August 23, 2013.
  4. Revised Proposed Accounting Standards Update, *Consolidation (Topic 810): Measuring the Financial Liabilities of a Consolidated Collateralized Financing Entity* (a consensus of the FASB Emerging Issues Task Force, issued July 19, 2013). Comment deadline: October 17, 2013.
  5. Proposed Accounting Standards Update, *Service Concession Arrangements (Topic 853)* (a consensus of the FASB Emerging Issues Task Force, issued July 19, 2013). Comment deadline: September 17, 2013.

6. Proposed Accounting Standards Update, *Receivables—Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification of Collateralized Mortgage Loans upon a Troubled Debt Restructuring* (a consensus of the FASB Emerging Issues Task Force, issued July 19, 2013). Comment deadline: September 17, 2013.
7. Proposed Accounting Standard Update, *Definition of a Public Business Entity—An Amendment to the Master Glossary* (issued August 7, 2013). Comment deadline: September 20, 2013.
8. Proposed Accounting Standards Update, *Consolidation (Topic 810): Applying Variable Interest Entity Guidance to Common Control Leasing Arrangements* (a proposal of the Private Company Council, issued August 22, 2013). Comment deadline: October 14, 2013.

#### CHANGES TO THE FASB TECHNICAL AGENDA

- a. The Board added to its agenda a project on Development Stage Entities.
- b. The Board decided not to add a project clarifying existing guidance on accounting for discretionary provisions and clawback features of a stock compensation plan.
- c. The Board added to the EITF agenda a project on determining whether the host contract in a hybrid financial instrument is more akin to debt or equity.
- d. No projects were removed from either the FASB or the EITF agenda during the quarter, other than those projects that were completed through the issuance of a final Accounting Standards Update.

#### ACTIVITIES OF FASB ADVISORY GROUPS

- a. Meetings of FASB Standing Advisory Groups:
  1. Investor Advisory Committee (IAC):
    - a. Four Board members and several FASB staff members participated in a public meeting of the IAC in August. Matters discussed included the FASB's projects on the accounting for financial instruments, disclosure framework, and leases. Committee members also discussed private company financial reporting, focusing on recent proposals from the Private Company Council on goodwill, identifiable intangible assets, and certain interest rate swap arrangements.
  2. Not-for-Profit Advisory Committee (NAC):
    - a. Six Board members and several FASB staff members participated in a public meeting of the NAC in September. Matters discussed included the FASB's projects on not-for-profit financial reporting (financial statements), leases, Private Company Council proposals, the definition of a nonpublic entity, and going concern. NAC members also discussed recent trends and concerns in the not-for-profit sector, including the use of XBRL within that sector.

- b. Advisory Group Membership Changes:
  1. Teresa Gordon and Bill Titera will complete their service on the NAC on December 31, 2013. New candidates will be considered for appointment in the second half of 2014.

#### OTHER SIGNIFICANT STAKEHOLDER OUTREACH ACTIVITIES

- a. Meetings with Industry or Other Representative Groups:
  1. Five FASB Board members, the FASB technical director, several FASB staff, and two PCC members (Jeff Bryan and Tom Groskopf) participated in a public meeting of the Technical Issues Committee of the Private Companies Practice Section of the AICPA on September 27. Matters discussed included the projects and other work of the PCC, the definition of a public business entity, leases, going concern, revenue recognition, financial instruments classification and measurement, and financial instruments impairment.
  2. Structured Finance Industry Group: Two Board members and FASB staff participated in a closed meeting with members of this group to discuss the Board's proposal on classification and measurement of financial instruments.
- b. Project-Specific Outreach Activities. The more significant project-specific outreach activities undertaken included:
  1. Revenue Recognition. The staff conducted outreach with about a dozen preparers and representatives of major accounting firms to explore selected issues (constraint, collectability, and licensing agreements).
  2. Disclosure Framework. The staff discussed the project with three FASB advisory groups (PCC, NAC, and IAC) and other groups, both national and international. Field-testing of draft proposals continued throughout the quarter.
  3. Leases. The leasing Exposure Draft was out for public comment. The staff discussed the proposals with about 20 different investor groups, about a dozen groups representing primarily public companies, several major accounting firms, about a dozen groups representing private companies, and representatives from other regulators, standard setters, and other interested parties. The staff also conducted field visits with more than a dozen companies to learn more about the cost and operability of the proposals.
  4. Insurance. The insurance contracts Exposure Draft was out public comment. The FASB hosted an educational webinar to explain the main features of the Exposure Draft, and the staff kicked off field-testing through conference calls with field test volunteers.
  5. Financial Instruments—Impairment. The comment period on the impairment Exposure Draft recently ended. The staff continued its outreach, discussing the proposed credit loss impairment model with two

of FASB's advisory groups (the IAC and NAC) and representatives of financial institution regulatory bodies.

6. The staff conducted outreach meetings with public and private company preparers, auditors, and users in connection with PCC projects.

#### COLLABORATION WITH THE FASB'S PRIVATE COMPANY COUNCIL

- a. The Board participated in the PCC's two-day public meeting held in July.
  1. The PCC deliberated possible alternatives to the accounting for variable interest, approving a proposed alternative accounting for endorsement by the FASB. The FASB subsequently endorsed the proposed alternative and issued an Exposure Draft for public comment.
  2. The PCC discussed practical issues with the accounting for development stage enterprises and recommended the FASB add a project to its agenda to address those issues. The FASB subsequently decided to add a project to its agenda.
  3. The FASB and PCC discussed issues in the leases project.
- b. The Board participated in the PCC's two-day public meeting held on September 30<sup>th</sup> and October 1<sup>st</sup>.
  1. Board members and the PCC discussed the FASB projects on development stage enterprises, the definition of a public business entity, and leases.
  2. The PCC considered comment letters received on proposed alternatives to the accounting for certain interest rate swaps. The PCC completed its deliberations of aspects of that proposal and sent a final recommended alternative to the FASB for endorsement. The FASB plans to discuss that recommendation in the 4<sup>th</sup> quarter 2013.
  3. The PCC considered comment letters received on a proposed alternative to the accounting for goodwill. The PCC completed its deliberations of that proposal and sent a final recommended alternative to the FASB for endorsement. The FASB plans to discuss that recommendation in the 4<sup>th</sup> quarter of 2013.

#### COLLABORATION WITH THE INTERNATIONAL ACCOUNTING STANDARDS BOARD

- a. The FASB and the IASB held several multi-day joint public Board meetings in London.
- b. The FASB and the IASB held private, small-group video-conference meetings on the joint revenue recognition, leases, financial instruments classification and measurement, and financial instruments impairment projects.
- c. The FASB and the IASB directors met periodically to discuss technical and administrative matters.

- d. The FASB chairman and a Board member participated in a meeting of the IASB's Accounting Standards Advisory Forum held in London.
- e. A Board member participated in the joint Leases roundtable in Sao Paulo, Brazil.
- f. Two Board members and the technical director participate in the joint Leases roundtable in London.
- g. A staff director participated in a meeting of the IASB's Effects Analysis Working Group in London.

#### OTHER INTERNATIONAL ACTIVITIES

- a. Two Board members participated in a meeting of the International Forum of Accounting Standard Setters in Brussels.
- b. A Board member and an assistant director participated in the IASB's World Standard Setters meeting in London.
- c. Two Board members and four staff members met privately with members of the Japan Leasing Association to discuss the 2013 leases Exposure Draft.

#### XBRL ACTIVITIES

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

- a. Technical activities:
  - 1. Published proposed 2014 U.S. GAAP Financial Reporting Taxonomy for public review and comment.
  - 2. Published XBRL Taxonomy Exposure Drafts for:
    - a. Proposed Accounting Standards Update—Presentation of Financial Statements (Topic 205): Disclosure of Uncertainties about an Entity's Going Concern Presumption
    - b. Proposed Accounting Standards Update—Presentation of Financial Statements (Topic 205): Reporting Discontinued Operations
    - c. Accounting Standards Update—Presentation of Financial Statements (Topic 205): Liquidation Basis of Accounting.
  - 3. Published the following nonauthoritative XBRL Implementation and Reference Guides to assist with Taxonomy use:

#### As Final

- a. Insurance Industry: Concentration of Credit Risk Disclosures
- b. Liquidation Basis of Accounting

- c. Segment Reporting.

#### Proposals for Public Comment

- d. Other Comprehensive Income
  - e. Disposal Groups and Discontinued Operations
  - f. Period Type Selection (Context) Guide (Reference Guide).
4. In collaboration with the American Bankers Association, launched the XBRL Financial Services Industry Resource Group to facilitate Taxonomy improvements for the banking and financial services industry.
- b. Outreach Activities. The more significant XBRL-related outreach activities this quarter follow:
    1. An FASB member and XBRL staff attended and presented at various conferences and webinars hosted by XBRL US and others.
    2. XBRL staff hosted meetings of the FASB's T Taxonomy Advisory Group and participated in meetings of various other groups such as XBRL industry working groups, XBRL US Best Practice conference calls, and the IASB XBRL Quality Review Task Force.

## **ITEM 2: EDUCATION AND COMMUNICATIONS**

### EDUCATIONAL WEBCASTS AND PODCASTS DELIVERED

- a. The FASB hosted the following educational webinars:
  1. IN FOCUS: Proposed 2014 US GAAP Financial Reporting Taxonomy, ASU Taxonomy Changes, XBRL Implementation Guides, and Revised Calculation Hierarchy
- b. Videocasts:
  1. FASB Member Marc Siegel discusses PCC proposal on VIEs with PCC member PCC Mark Ellis—August
  2. FASB Chairman Russell Golden, FASB Member Daryl Buck, and PCC Member Lawrence Weinstock Discuss Three Recent PCC Proposals—July
  3. New FASB Chairman Russ Golden and New GASB Chairman Dave Vaudt Discuss Their Priorities with FAF President and CEO Terri Polley July

### SPEECHES DELIVERED

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

- AAA Annual Conference
- AICPA NAAATS Conference

- AICPA National Banks Conference
- American Gas Association Accounting Principles Meeting
- ACPEN
- CreditSights Regulatory & Risk Rodeo Conference
- ELFA Lease & Finance Accountants Conference
- Ernst & Young Oil & Gas Assurance Conference
- FASB @40 Conference
- Illinois CPA Society and Center for Corporate Leadership Midwest Financial Reporting Symposium
- InsideNGO 2013 Conference
- Investment Company Institute Tax & Accounting Conference
- SEC Financial Reporting Conference
- University of Michigan
- University of Nebraska at Omaha Speakers Series
- University of Texas, Arlington Ethics and CPE
- Virginia Bankers Association CFO Conference

### **ITEM 3: ADMINISTRATIVE, PROCEDURAL, AND STRATEGIC ACTIVITIES**

#### a. Administrative Matters:

1. All Board members attended the August FAF Trustees meeting. In addition, the FASB chairman participated in meetings with the Board of Trustees Committees.
2. The FASB chairman submitted a draft 2014 budget to the Board of Trustees.

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

1. Risk Management in the Face of Identity Theft. Daniel Andrews, Certified Identity Theft Risk Management Specialist™.
2. Investor Case Studies. Marc Siegel, FASB Board Member, explained how analysts, investors, and lenders can use accounting data to make better decisions.
3. Building a Portfolio for Any Weather. Erin Wright Boothroyd, Workplace Planning & Guidance Consultant, Personal and Workplace Investing, Fidelity Investments.

### **ITEM 4: GOVERNMENT, REGULATORY, AND STAKEHOLDER 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 chairman, GASB chairman, FAF president and CEO, and FAF VP met with U.S. Treasury Assistant Secretary for Financial Institutions, Cyrus Amir-Mokri, and U.S. Treasury Assistant Secretary for Financial Markets, Matt Rutherford, to discuss the FASB's ongoing projects and activities important to the capital markets.
  2. The FASB chairman, GASB chairman, FAF president and CEO, and FAF VP met with Senator Mike Enzi (R-WY) to discuss priority projects and activities important to the capital markets.
- b. Key stakeholders and their staffs were informed about the activities of the FASB through various meetings and other forums including:
1. The FASB chairman, an FASB Board member and the FAF VP met with the U.S. Chamber's Leases Coalition to provide an update on the progress of the FASB's leases project.
  2. The FASB chairman, GASB chairman, FAF president and CEO, and FAF VP met with the president and CEO of the Financial Services Roundtable to discuss ongoing projects and activities important to the financial markets.
  3. The FASB chairman, GASB chairman, FAF president and CEO, and FAF VP met with the CEO and the president of the Securities Industry and Financial Markets Association (SIFMA) to discuss priority agenda projects for the remainder of the year.
  4. The FASB technical director, an FASB assistant director, and the FAF VP met with the members of the Financial Services Roundtable to discuss money market fund reforms.
  5. The FASB assistant technical director and the FAF VP met with the members of the American Council of LIFE Insurers (ACLI) to provide an update on the insurance project.
  6. The FASB assistant technical director and the FAF VP met with members of the U.S. Chamber Pension Funds Group to discuss improvements to current pension accounting.

#### **ITEM 5: OTHER COMMUNICATIONS ACTIVITIES**

- a. The FASB issued the following press releases/media advisories/Tweets:



1. FASB Issues Three Private Company Council Proposals
2. FASB and IASB to Hold Joint Roundtable Meetings on Revised Leases Proposals
3. FASB Issues Standard Deferring Some Disclosures for Nonpublic Employee Benefit Plans
4. Registration Opens for Two FASB Webcasts on Insurance Contracts
5. PCC Proposes Changes to Consolidation of Variable Interest Entities
6. Financial Accounting Foundation Names James L. Kroeker Vice Chairman of Financial Accounting Standards Board
7. FASB and IASB to Form Joint Transition Resource Group for Revenue Recognition
8. FASB Issues Private Company Council Proposal on Consolidation of Variable Interest Entities
9. Registration Opens for September 10 Webcast on Proposed 2014 U.S. GAAP Financial Reporting Taxonomy
10. 2014 U.S. GAAP Financial Reporting Taxonomy Now Available for Public Review and Comment
11. Registration to Close for Disclosure Framework Project Field Study
12. FASB Votes to Issue Exposure Draft to Improve Financial Reporting About Development Stage Entities
13. FASAC Issues Results of 2013 FASB Stakeholder Survey

b. The FASB issued “FASB in Focus” documents for the following:

1. Three Proposed Accounting Standards Updates on Private Company Proposals
2. Proposed Accounting Standards Update—Definition of a Public Business Entity: An Amendment to the Master Glossary
3. Proposed Accounting Standards Update—Applying Variable Interest Entity Guidance to Common Control Leasing Arrangements

c. Media Outreach:

During the quarter ended June 30, 2013, members of the FASB or its staff participated in numerous interviews with media.

d. On Thursday, September 12, the FAF and FASB hosted the “FASB @40” conference in New York City. Conference panels featured past and current FASB chairs, past and current FASB members and staff, and other policymakers discussing key financial reporting issues throughout history. More than 200 stakeholders attended, including members of the 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. No GASB drafts were distributed to FASB staff for review during the quarter.
- d. The FASB staff distributed the following drafts for the GASB's review:
  - 1. Proposed Accounting Standards Update, *Definition of a Public Business Entity: An Amendment to the Master Glossary*
  - 2. Proposed Accounting Standards Update, *Consolidation (Topic 810): Applying Variable Interest Entity Guidance to Common Control Leasing Arrangements* (a proposal of the Private Company Council)
  - 3. Proposed Accounting Standards Update, *Derivatives and Hedging (Topic 815): Determining Whether the Host Contract in a Hybrid Financial Instrument Is More Akin to Debt or to Equity* (a consensus of the EITF)
  - 4. Proposed Accounting Standards Update, *Compensation—Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Allow a Performance Target to Be Achieved after the Requisite Service Period* (a consensus of the EITF).