

REPORT OF THE FASB CHAIRMAN

July 1, 2016 through September 30, 2016

ITEM 1: STANDARDS-SETTING ACTIVITIES

A. FINAL STANDARDS AND DOCUMENTS ISSUED FOR PUBLIC COMMENT

1. The Board issued the following final documents:
 - a. Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, issued August 18, 2016.
 - b. Accounting Standards Update No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* (a consensus of the FASB Emerging Issues Task Force), issued August 26, 2016.
2. The Board issued the following Exposure Drafts for public comment:
 - a. Proposed Accounting Standards Update, *Income Taxes (Topic 740): Disclosure Framework—Changes to the Disclosure Requirements for Income Taxes* (issued July 26, 2016). Comment deadline: September 30, 2016.
 - b. Proposed Accounting Standards Update, *Plan Accounting: Defined Benefit Pension Plans (Topic 960); Defined Contribution Pension Plans (Topic 962); Health and Welfare Benefit Plans (Topic 965): Employee Benefit Plan Master Trust Reporting* (a consensus of the FASB Emerging Issues Task Force) (issued July 28, 2016). Comment deadline: September 26, 2016.
 - c. Proposed Accounting Standards Update, *Not-for-Profit Entities—Consolidation (Subtopic 958-810): Clarifying When a Not-for-Profit Entity That Is a General Partner Should Consolidate a For-Profit Limited Partnership or Similar Entity* (issued August 3, 2016). Comment deadline: October 3, 2016.
 - d. Invitation to Comment, *Agenda Consultation* (issued August 4, 2016). Comment deadline: October 17, 2016.

- e. Proposed Accounting Standards Update, Concepts Statement 8—*Conceptual Framework for Financial Reporting: Chapter 7: Presentation* (issued August 11, 2016). Comment deadline: November 9, 2016.
- f. Proposed Accounting Standards Update, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities* (issued September 8, 2016). Comment deadline: November 22, 2016.
- g. Proposed Accounting Standards Update, *Technical Corrections and Improvements to Update No. 2014-09, Revenue from Contracts with Customers (Topic 606): Additional Corrections* (issued September 19, 2016). Comment deadline October 4, 2016.
- h. Proposed Accounting Standards Update, *Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities* (issued September 22, 2016). Comment deadline: November 28, 2016.
- i. Proposed Accounting Standards Update, *Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts* (issued September 29, 2016). Comment deadline: December 15, 2016.

B. CHANGES TO THE STANDARDS-SETTING AGENDA

- 1. The Board added a project to its technical agenda on Scope of Modification Accounting in Topic 718, *Compensation—Stock Compensation* (August).
- 2. The Board added a project to the EITF’s agenda on Accounting for Service Concession Arrangements (August).
- 3. The Board decided not to add a project on Collaborative Arrangements at this time to either its or the EITF’s agenda. The Board directed the staff to perform additional research to be reconsidered at a later date (August).

C. SIGNIFICANT TECHNICAL DECISIONS

- 1. Disclosure Framework: Disclosure Review—Inventory
 - a. The Board decided that all entities would be required to disclose in their annual financial statements inventory disaggregated by component, inventory disaggregated by measurement basis, changes to the inventory balance that are not specifically related to the purchase, manufacture, or sale of inventory in the ordinary course of business, a qualitative description

of the costs capitalized into inventory, the effect of last-in, first-out (LIFO) liquidations on income, and the replacement cost for LIFO inventory.

- b. Public business entities also would be required to disclose in annual and interim periods inventory by reportable segment or by component for each reportable segment if that information is regularly provided to the chief operating decision maker.
 - c. The Board decided to made other modifications to Topic 330, Inventory, including the removal of certain existing requirements to conform to the new proposal.
2. The Board is in the final stages of initial deliberations and redeliberations on several other projects, and while the Board made a number of decisions, none of those decisions were individually significant.

ITEM 2: PREAGENDA RESEARCH

A. CHANGES TO THE RESEARCH AGENDA

1. None.

B. SIGNIFICANT RESEARCH ACTIVITIES

1. The staff conducted research on Cloud Computing, Foreign Currency, and Energy Tax Credits. Those potential projects will be discussed with the Board at a future agenda prioritization meeting.
2. The staff conducted research on non-GAAP measures focusing on monitoring the financial metrics and measures used and adjustments to those amounts.

C. ACTIVITIES OF THE FINANCIAL ACCOUNTING STANDARDS ADVISORY COUNCIL (FASAC) AND FASB ADVISORY COMMITTEES

1. FASAC Meeting
 - a. Seven Board members and several staff members participated in the September 19, 2016 FASAC meeting. The meeting topics focused on the FASB's project on the Conceptual Framework: Presentation, two areas of performance reporting that are included in the FASB's Agenda Consultation Invitation to Comment (the income statement and the statement of other comprehensive income), and non-GAAP reporting.
2. The following advisory committee meetings were held:

- a. Public Web-Ex meeting of the Not-for-Profit Advisory Committee (NAC) (September): Three Board members, the technical director, and several FASB staff participated. Topics focused on the FASB's project on Revenue Recognition of Grants and Contracts by Not-for-Profit Entities.
3. Advisory committee membership changes:
 - a. The FASB announced the appointment of 16 Small Business Advisory Committee members in September 2016. The members are as follows: Gary Bachman, Tim Caffrey, Richard Day, John Exline, David Gonzales, Shannon Greene, David Hinshaw, Robert Hoffman, Courtney Johnson, Skip Klein, Greg Kowieski, Marshall Minoux, Douglas Reynolds, Robert Vogt, William Waller, and John Zimmer. An orderly rotation of the members' terms will be established in the future.

D. OTHER SIGNIFICANT STAKEHOLDER OUTREACH ACTIVITIES

1. One or more Board members met with the following industry liaison groups:
 - a. Private meeting with the Financial Executives International's Committee on Corporate Reporting (CCR) (September). One Board member participated; topics included the implementation of the revenue recognition and leases standards, income tax disclosures, and government assistance disclosures. Other projects included hedging, conceptual framework, goodwill impairment, and disclosure framework (including materiality).
 - b. Private meeting with PCC members and the AICPA Private Companies Practice Section's Technical Issues Committee on September. Two Board members and several staff participated; topics included FASB projects on applying variable interest entity (VIE) guidance to entities under common control, simplifying the balance sheet classification of debt, and financial instruments: hedging. Other areas included suggested improvements for private entities to the accounting for employee share-based payments and to the equity method, as well as the suggested elimination of fair value disclosures for held-to maturity debt securities of private entities.
 - c. Public liaison meeting with members of the AICPA Private Companies Practice Section's Technical Issues Committee (September). Five Board members participated; topics included FASB projects on applying VIE guidance to entities under common control, simplifying the balance sheet classification of debt, and financial instruments: hedging. Other areas included suggested improvements for private entities to the accounting for employee share-based payments and to the equity method.

2. Significant project-specific outreach activities follow:

- a. The FASB members and staff conducted approximately 137 meetings with a variety of stakeholders to discuss issues in 25 different FASB and EITF projects.
- b. Through meetings and comment letters, the Board received feedback from a range of stakeholder types: 8% from financial statement users; 38% from auditors; 27% that were representatives of public companies, private companies, and not-for-profit organizations; and 27% from professional, trade, and advocacy organizations and others (including state societies, regulators, and other standard setters).

E. COLLABORATION WITH THE FASB'S PRIVATE COMPANY COUNCIL (PCC)

1. The PCC and the FASB jointly hosted a Private Company Town Hall Meeting on July 22, 2016, in Salt Lake City, UT, at the National Advanced Accounting and Auditing Technical Symposium (NAAATS).
2. Five Board members, the technical director, and certain staff participated in the September 30, 2016 PCC meeting. The PCC discussed and provided input on FASB projects, including simplifying the balance sheet classification of debt, consolidations: simplifying common control analysis and other targeted improvements to VIE guidance, and liabilities and equity: targeted improvements.

F. EMERGING ISSUES TASK FORCE (EITF) ACTIVITIES

1. Six Board members attended the September 22, 2016 EITF meeting. Issues No. 16-A, "Statement of Cash Flows: Restricted Cash," and No. 16-C, "Accounting for Service Concession Arrangements," were discussed. The EITF reached a consensus on Issue 16-A and a consensus-for-exposure on Issue 16-C.

G. INTERNATIONAL ACTIVITIES

1. Cooperative activities between the FASB and the IASB were as follows:
 - a. The FASB and the IASB held a joint webinar, *Implementation Update on Revenue from Contracts with Customers*.
 - b. Two Board members participated in the IASB's World Standard Setters meeting in London.
 - c. The FASB chairman and two Board members participated in two meetings of the IASB's Accounting Standards Advisory Forum in London.

2. Cooperative activities among the FASB and other national standards setters included the following:
 - a. Two Board members and a staff person participated in the International Forum of Accounting Standard Setters meeting in London.
 - b. The chairman and six Board members (on a rotational basis) met privately (August) with representatives from the Accounting Standards Board of Japan (ASBJ) in Norwalk.
 - c. Two Board members and a staff member met privately (September) with representatives from the Israel Supervisors of Banks in Norwalk.

ITEM 3: STAKEHOLDER EDUCATION AND COMMUNICATIONS

A. WEBINARS AND VIDEOS

1. The FASB held three educational webinars:
 - a. IN FOCUS: FASB Accounting Standards Update on Credit Losses (July 21, 2016)
 - b. IN FOCUS: FASB Accounting Standards Update on Not-for-Profit Financial Statements (September 13, 2016)
 - c. IN FOCUS: Implementation Update on Revenue from Contracts with Customers (September 15, 2016)
2. The FASB posted two featured videos:
 - a. How the FASB Sets Effective Dates
 - b. Why a New Not-for-Profit Financial Reporting Standard?
 - c. 2017 Proposed Taxonomy

B. SPEECHES DELIVERED

1. FASB members or staff delivered more than 40 speeches at different conferences. The more significant conferences follow:
 - a. American Accounting Association (AAA) Annual Conference
 - b. American Banker/Sageworks Webcast on Credit Losses
 - c. AICPA Conference on Banks and Savings Institutions
 - d. Cal State University
 - e. Conference of State Banking Supervisors

- f. Equipment Leasing & Finance Association (ELFA)
- g. FEI, Pace University, and EY Pacesetters Conference
- h. Georgia Tech College of Business
- i. Healthcare Financial Management Association
- j. Institute of Management Accountants
- k. Kennesaw State University
- l. Mississippi Department of Banking
- m. 2016 AICPA NAAATS Conference.

C. PRESS RELEASES, MEDIA ADVISORIES, AND SOCIAL MEDIA

1. The FASB issued 16 press releases or media advisories on a variety of topics, as well as a variety of updates on Twitter and LinkedIn.

D. OTHER COMMUNICATIONS ACTIVITIES

1. The 3rd Quarter FASB Outlook was issued on August 4.

ITEM 4: STRATEGIC, ADMINISTRATIVE, AND PROCEDURAL ACTIVITIES

A. STRATEGIC PLAN ACTIVITIES

1. The FASB continued to make progress on its 2016 strategic plan action steps, including the completion of the editorial review process and support of the implementation of the FAF technology plan.

B. ADMINISTRATIVE MATTERS

1. None.

C. PROFESSIONAL DEVELOPMENT PROGRAMS

1. Conceptual Framework Training. Jill Switter, FASB Senior Project Manager; Nicholas Cappiello, FASB Supervising Project Manager; Ryan Carter, FASB Assistant Project Manager; and Melissa Rutzen, FASB Postgraduate Technical Assistant.
2. The Merger of Equals. Roger Millay, CFO of Willis Towers Watson.

3. The Conceptual Framework Project: An Overview and Update (A special presentation for Postgraduate Technical Assistants). Jim Leisenring, FASB Senior Advisor.
4. Update on the FASB Invitation to Comment Addressing Intangible Assets, Pensions, Liabilities and Equity, and Financial Performance Reporting. Cullen Walsh, FASB Assistant Director; Michael Cheng, FASB Supervising Project Manager; Shayne Kuhaneck, FASB Supervising Project Manager; Lauren Mottley, FASB Project Manager; Ryan Egan, FASB Project Manager; Aarika Friend, FASB Assistant Project Manager; Lucy Cheng, FASB Assistant Project Manager; Emily De Revere, FASB Project Research Associate; Dianora De Marco, FASB Postgraduate Technical Assistant; Benjamin Dart, FASB Postgraduate Technical Assistant.
5. A Discussion about Writing at the Standards Boards with Stuart Goosman. Stuart Goosman, FAF Writing Consultant.
6. Research Problems and How to Deal with Them. Dean Michael Mead, GASB Senior Research Manager.

**ITEM 5: FEDERAL GOVERNMENT AND REGULATORY LIAISON
ACTIVITIES**

A. REPRESENTATIVES OF CONGRESS AND FEDERAL REGULATORY BODIES

1. The FASB chairman testified before the Capital Markets and Government Sponsored Enterprises subcommittee of the U.S. House of Representatives' Financial Services Committee on September 22, 2016.

ITEM 6: FAF/FASB/GASB INTERACTION

A. MEETING MINUTES

1. GASB and FASB meeting minutes were shared with the FASB and GASB Board members and staff.

B. MEETINGS

1. The FASB and GASB directors met monthly to discuss their technical agenda projects and other matters of mutual interest.
2. The FASB and GASB chairmen and their respective directors held their quarterly meeting to discuss technical issues and other matters of mutual interest.

C. DOCUMENT DRAFT REVIEWS

1. The GASB distributed the following drafts to the FASB for review:
 - a. Exposure Draft on certain debt extinguishments
 - b. Omnibus Exposure Draft on issues related to reporting component units, reclassification of goodwill, fair value measurement, and postemployment benefits
 - c. Exposure Draft on financial reporting for postemployment benefit plans other than pension plans.
2. The FASB staff distributed the following drafts for the GASB's review:
 - a. Final Accounting Standards Update, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*
 - b. Final Accounting Standards Update, *Consolidation (Topic 810): Interests Held through Related Parties That Are under Common Control*
 - c. Final Accounting Standards Update, *Statement of Cash Flows (Topic 230): Restricted Cash* (a consensus of the FASB Emerging Issues Task Force)
 - d. Proposed Accounting Standards Update, *Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities*
 - e. Proposed Accounting Standards Update, *Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts*
 - f. Proposed Accounting Standards Update, *Technical Corrections and Improvements to Update 2014-09, Revenue from Contracts with Customers: Additional Corrections*
 - g. Proposed Accounting Standards Update, *Service Concession Arrangements (Topic 853): Determining the Customer of the Operation Services* (a consensus of the FASB Emerging Issues Task Force).

ITEM 7: XBRL ACTIVITIES

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

A. TECHNICAL ACTIVITIES

1. Published the proposed 2017 GAAP Financial Reporting Taxonomy for public review and comment.
2. The FASB published Taxonomy Updates as final for:
 - a. Accounting Standards Update 2014-09—*Revenue from Contracts with Customers*
 - b. Accounting Standards Update 2016-02—*Leases (Topic 842)*
 - c. Accounting Standards Update 2016-12—*Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*
 - d. Accounting Standards Update No. 2016-15—*Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments.*
3. The FASB published Taxonomy Exposure Drafts for:
 - a. Proposed Accounting Standards Update—*Technical Corrections and Improvements*
 - b. Proposed Accounting Standards Update—*Technical Corrections and Improvements to Update No. 2014-09, Revenue from Contracts with Customers (Topic 606)—Additional Corrections*
 - c. Proposed Accounting Standards Update —*Income Taxes (Topic 740): Disclosure Framework—Changes to the Disclosure Requirements for Income Taxes*
 - d. Proposed Accounting Standards Update—*Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities*
 - e. Proposed Accounting Standards Update—*Consolidation (Topic 810): Interests Held through Related Parties That Are under Common Control.*

B. OUTREACH ACTIVITIES

1. The more significant Taxonomy-related outreach activities this quarter included the following:
 - a. FASB Chief of Taxonomy Development presented at E&Y Summit in Stamford, CT, July 21, 2016
 - b. FASB Chief of Taxonomy Development presented at AAA Conference in New York, NY, August 9, 2016

- c. Hosted or participated in meetings of the FASB Taxonomy Advisory Group, industry working groups, the Dimension Working Group, the XBRL US Data Quality Committee, XBRL U.S. Surety Working Group, various XBRL International technical working groups including the Entity Specific Disclosure Task Force chaired by FASB Chief of Taxonomy Development and IASB Senior Technical Manager—IFRS Taxonomy, the IASB IFRS Taxonomy Consultative Group, and the SEC Division of Economic and Risk Analysis (DERA) staff.

Technical Agenda Overview

Revised October 10, 2016

FRAMEWORK PROJECTS	Current Stage	Timing
Conceptual Framework: Measurement	Initial deliberations	
Conceptual Framework: Presentation	ED out for public comment	Ends Nov 9, 2016
Disclosure Framework		
Disclosure Framework: Board's Decision Process	ED redeliberations	
Disclosure Framework: Disclosure Review—Defined Benefit Plans	ED redeliberations	
Disclosure Framework: Disclosure Review—Fair Value Measurement	ED redeliberations	
Disclosure Framework: Disclosure Review—Income Taxes	ED redeliberations	
Disclosure Framework: Disclosure Review—Inventory	Drafting ED	Q4 2016
Disclosure Framework: Disclosures—Interim Reporting	Initial deliberations	
Disclosure Framework: Entity's Decision Process	ED redeliberations	
Disclosures by Business Entities about Government Assistance	ED redeliberations	

RECOGNITION & MEASUREMENT: BROAD PROJECTS	Current Stage	Timing
Accounting for Financial Instruments: Hedging	ED out for public comment	Ends Nov 22, 2016
Insurance: Targeted Improvements to the Accounting for Long-Duration Contracts	ED out for public comment	Ends Dec 15, 2016

RECOGNITION & MEASUREMENT: NARROW PROJECTS	Current Stage	Timing
Accounting for Goodwill Impairment	Drafting final standard	Q4 2016
Accounting for Income Taxes: Intra-Entity Asset Transfers	Drafting final standard	Q4 2016
Accounting for Interest Income Associated with the Purchase of Callable Debt Securities	ED out for public comment	Ends Nov 28, 2016
Clarifying the Definition of a Business (phase 1)	Drafting final standard	Q4 2016
Clarifying the Scope of Subtopic 610-20 and Accounting for Partial Sales of Nonfinancial Assets (<i>formerly Definition of a Business phase 2</i>)	Drafting final standard	Q4 2016
Clarifying When a Not-for-Profit Entity That Is a General Partner Should Consolidate a For-Profit Limited Partnership (or Similar Entity)	ED redeliberations	
Consolidation: Interests Held through Related Parties that Are under Common Control	Drafting final standard	Q4 2016
Determining the Customer of the Operation Services in a Service Concession Arrangement (EITF 16-C)	Drafting ED	Q4 2016
Liabilities & Equity: Targeted Improvements	Drafting ED	Q4 2016
Nonemployee Share-Based Payment Accounting Improvements	Initial deliberations	
Revenue Recognition of Grants and Contracts by Not-for-Profit Entities	Initial deliberations	
Scope of Modification Accounting in Topic 718	Drafting ED	Q4 2016
Technical Corrections and Improvements	ED redeliberations	
Technical Corrections and Improvements—Update 2014-09, Revenue from Contracts with Customers	ED redeliberations	

PRESENTATION & DISCLOSURE PROJECTS	Current Stage	Timing
Employee Benefit Plan Master Trust Reporting (EITF 16-B)	ED redeliberations	
Financial Statements of Not-for-Profit Entities (phase 2)	ED redeliberations	
Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost	ED redeliberations	
Restricted Cash (EITF 16-A)	Drafting final standard	Q4 2016
Simplifying the Balance Sheet Classification of Debt	Drafting ED	Q4 2016

RESEARCH PROJECTS
Accounting for Financial Instruments: Interest Rate Risk Disclosures
Accounting for Identifiable Intangible Assets in a Business Combination for Public Business Entities and Not-for-Profit Entities
Accounting for Income Taxes: Presentation of Tax Expense/Benefit
Applying Variable Interest Entity Guidance to Entities under Common Control
Consolidation
Distinguishing Liabilities from Equity (including convertible debt)— <i>comments on agenda consultation Invitation to Comment due October 17, 2016</i>
Financial Performance Reporting (including 2014 Financial Performance Reporting research project; as well as broader research on potential improvements to the performance statement, other comprehensive income, cash flows statement (including classification), and segment reporting)— <i>comments on agenda consultation Invitation to Comment due October 17, 2016</i>
Intangible Assets (including research and development)— <i>comments on agenda consultation Invitation to Comment due October 17, 2016</i>
Inventory and Cost of Sales

RESEARCH PROJECTS *(continued)*

Pensions and Other Postretirement Employee Benefit Plans—*comments on agenda consultation Invitation to Comment due October 17, 2016*

Subsequent Accounting for Goodwill for Public Business Entities and Not-for-Profit Entities