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## REPORT OF THE FASB CHAIRMAN

January 1, 2017 through March 31, 2017

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### **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. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, issued January 5, 2017.
  - b. Accounting Standards Update No. 2017-02, *Not-for-Profit Entities—Consolidation (Subtopic 958-810): Clarifying When a Not-for-Profit Entity That Is a General Partner or a Limited Partner Should Consolidate a For-Profit Limited Partnership or Similar Entity*, issued January 12, 2017.
  - c. Accounting Standards Update No. 2017-03, *Accounting Changes and Error Corrections (Topic 250) and Investments—Equity Method and Joint Ventures (Topic 323): Amendments to SEC Paragraphs Pursuant to Staff Announcements at the September 22, 2016 and November 17, 2016 EITF Meetings*, issued January 23, 2017.
  - d. Accounting Standards Update No. 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, issued January 26, 2017.
  - e. Accounting Standards Update No. 2017-05, *Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets*, issued February 22, 2017.
  - f. Accounting Standards Update No. 2017-06, *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 Emerging Issues Task Force), issued February 27, 2017.

- g. Accounting Standards Update No. 2017-07, *Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, issued March 10, 2017.
  - h. Accounting Standards Update No. 2017-08, *Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities*, issued March 30, 2017.
2. The Board issued the following Exposure Drafts for public comment:
- a. Proposed Accounting Standards Update, *Inventory (Topic 330): Disclosure Framework—Changes to the Disclosure Requirements for Inventory* (issued January 10, 2017). Comment deadline: March 13, 2016.
  - b. Proposed Accounting Standards Update, *Debt (Topic 470): Simplifying the Classification of Debt in a Classified Balance Sheet (Current versus Noncurrent)* (issued January 10, 2017). Comment deadline: May 5, 2017.
  - c. Proposed Accounting Standards Update, *Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting* (issued March 7, 2017). Comment deadline: June 5, 2017.

## **B. CHANGES TO THE STANDARDS-SETTING AGENDA**

- 1. The Board added a project to its technical agenda on Consolidation: Targeted Improvements to Related Party Guidance for Variable Interest Entities (March). That project previously was on the Board’s research agenda.
- 2. The Board did not add a separate project on the Codification Master Glossary definition of *readily determinable fair value*. The Board decided instead to amend the illustrative example in paragraph 962-325-55-17 as part of the Technical Corrections and Improvements project (March).

## **C. SIGNIFICANT TECHNICAL DECISIONS**

- 1. Accounting for Financial Instruments—Hedging
  - a. The Board decided to allow private companies additional relief as it relates to the timing of hedge documentation. Specifically, a private company must prepare a statement of intent to hedge concurrently with hedge inception, but all initial and subsequent hedge effectiveness assessments (on either a quantitative basis or a qualitative basis as permitted or required by Topic 815)

would not be required to be performed and documented until the next set of financial statements is available to be issued.

- b. The Board is in the final stages of redeliberations on this project, and while the Board made a number of decisions in response to feedback received, none of those decisions were individually significant.
2. Consolidation: Targeted Improvements to Related Party Guidance for Variable Interest Entities
    - a. The Board decided to provide an accounting alternative to exempt private companies from having to apply the variable interest entity (VIE) guidance in Topic 810 to private companies under common control. To qualify for this alternative, the reporting entity, the common control parent, and the legal entity being evaluated for consolidation cannot be public business entities.
    - b. The Board decided that when evaluating whether a decision maker's fee is a variable interest, an indirect interest held by a decision maker in a VIE through a related party under common control would be considered on a proportional basis.
    - c. The Board decided that in applying the VIE guidance, when a related party group of commonly controlled entities holds a controlling financial interest and no single entity within the related party group has a controlling financial interest through its direct and indirect interests, to:
      - i. Require consolidation for a related party under common control when substantially all of the activities of a VIE involve, or are conducted on behalf of, that related party.
      - ii. Provide criteria for a reporting entity to consider in determining whether a related party in a common control arrangement has a controlling financial interest in a VIE. This removes the required consolidation that exists in current GAAP at the commonly controlled entity reporting level.
3. Revenue Recognition of Grants and Contracts
    - a. The Board decided to clarify and refine existing guidance in Subtopic 958-605, Not-For-Profit Entities—Revenue Recognition, by indicating that the definition of a donor-imposed condition would include the following:
      - i. A right of return, entailing either a return of assets transferred or a release of a promissory from its obligation to transfer assets

- ii. A barrier that must be overcome before the recipient is entitled to the assets transferred or promised
  - iii. A barrier would be described through the use of indicators and illustrative examples.
4. The Board is in the final stages of initial deliberations and redeliberations on several 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. The Board moved from its standards-setting agenda the next phase of the Liabilities and Equity—Targeted Improvements project (on improving the navigation of the guidance within the Codification) to its research agenda (as part of its research project on Distinguishing Liabilities from Equity).
2. The Board moved its project on Financial Statements of Not-for-Profit Entities from its standards-setting agenda to its research agenda, given its potential linkage and interaction with the Board’s research project on Financial Performance Reporting.

### **B. SIGNIFICANT RESEARCH ACTIVITIES**

1. The Board discussed feedback received on its Invitation to Comment, *Agenda Consultation*, and its research projects on:
  - a. Intangible assets (including research and development) (January)
  - b. Pensions and other postretirement benefit plans (January)
  - c. Distinguishing liabilities from equity (January)
  - d. Reporting performance and cash flows (February).
2. The Board discussed staff research on revenue recognition for the accounting for nonrecurring engineering and preproduction costs and the related reimbursement from customers (February).
3. The staff continued its research on cloud computing arrangements and discussed its research to date at the March EITF Meeting.

4. The staff continued researching non-GAAP measures.

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

1. FASAC Meeting:
  - a. The March 14, 2017 meeting was postponed due to weather-related conditions. It was rescheduled for April 5, 2017.
2. The following advisory committee meeting was held:
  - a. Public meeting of the Not-for-Profit Advisory Committee (NAC) (March 2 and 3): Six Board members, the technical director, and several staff participated. Topics included the anticipated implementation of recent major FASB standards (such as Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*); the FASB's project on Revenue Recognition of Grants and Contracts by Not-for-Profit Entities; other FASB projects affecting not-for-profit organizations; recent observations, trends, and concerns identified by NAC members; and topics for the NAC's future agenda.
3. Advisory committee membership changes:
  - a. The following five IAC members were appointed and began their terms: Todd Castagno, Trevor Harris, Katherine Hensel, Shripad Joshi, and Steven Y. Yang.
  - b. The terms of the following five NAC members were completed: Gordon Edwards, Kenneth Euwema, Roger Goodman, John Mattie, and Cynthia Pierce. The following five NAC members were appointed in December 2016 to a four-year term that began on January 1, 2017: Mary Connick, Kelly Frank, David Gagnon, Carolyn Mollen, and Dennis Morrone.

**D. INTERACTION WITH PRIVATE COMPANY STAKEHOLDERS**

1. The Private Company Council (PCC) did not meet in the first quarter of 2017.
2. Private meeting with the AICPA Private Companies Practice Section's Technical Issues Committee (TIC) (January). Staff members participated. Topics included liabilities and equity (downrounds), simplifying the balance sheet classification of debt, non-employee share-based payments, the definition of a public business

entity, disclosure framework (inventory), and the roundtable meetings on consolidations and the agenda consultation.

#### **E. OTHER SIGNIFICANT STAKEHOLDER OUTREACH ACTIVITIES**

1. One or more members met with the following industry liaison groups:
  - a. Private meeting with the Financial Executives International Committee on Corporate Reporting (CCR) (March). One Board member participated. Topics included revenue recognition, leases, stock compensation, derivatives and hedging, and disclosure framework.
  - b. Private meeting with the Institute of Management Accountants' Financial Reporting Committee (March). One Board member participated. Topics included leases, revenue recognition, hedging, and disclosure framework.
2. CPE provider forum:
  - a. Two Board members participated. Topics included revenue recognition, leases, credit losses, not-for-profit and Private Company Council activities including recent ASUs issued, other recently issued ASUs, and select other ongoing projects.

#### **F. SIGNIFICANT PROJECT-SPECIFIC OUTREACH ACTIVITIES**

1. Individual meetings with stakeholders:
  - a. FASB members and staff conducted 102 meetings (21% with investors and other users, 34% with practitioners, 25% with preparers, and 20% with others including state societies, regulators, academics, and other standard setters) to discuss issues on 15 different FASB and EITF projects.
2. Broad stakeholder outreach through comment letters:
  - a. Through comment letters, the Board received feedback from a range of stakeholder types (39% from auditors, 18% that were representatives of public companies, private companies, and not-for-profit organizations, 35% from state societies, and 8% from others (including regulators, academics, and other standard setters)) on 6 different FASB and EITF projects.

## G. EMERGING ISSUES TASK FORCE (EITF) ACTIVITIES

1. All of the Board members attended the March 16, 2017 EITF meeting. Issue No. 16-C, “Determining the Customer of the Operation Services in a Service Concession Arrangement,” was discussed. The EITF reached a consensus on Issue 16-C.
2. On March 6, 2017, Kimber Bascom (KPMG) and Lawrence Dodyk (PwC) were appointed to the EITF. Their terms will commence with the March and June 2017 meetings, respectively.
3. Robert Malhotra (KPMG) and Lawrence Salva (Comcast Corporation) announced their plans to immediately retire from the EITF. John Althoff (PwC) announced his plans to retire from the EITF effective June 2017.

## H. INTERNATIONAL ACTIVITIES

1. Cooperative activities between the FASB and the IASB were as follows:
  - a. The IASB staff updated the FASB on the IASB’s projects on the conceptual framework and financial instruments with characteristics of equity.
  - b. The FASB chairman and a Board member participated in the IASB’s Accounting Standards Advisory Forum in London.
  - c. The FASB held its annual Financial Reporting Issues Conference in January 2017, inviting representatives of the IASB and members of academe involved in accounting education and research.
2. Cooperative activities among the FASB and other national standards setters included the following:
  - a. The FASB chairman and a Board member met with the Korean Accounting Standards Board in Seoul, Korea.
  - b. The FASB chairman and a Board member met with the Accounting Regulatory Department of the Ministry of Finance in Beijing, China.
  - c. The FASB chairman and a Board member met with the Accounting Standards Board of Japan in Tokyo, Japan.
  - d. The FASB chairman, two Board members, and the technical director met with representatives of the Accounting Standards Board of Canada in Toronto, Canada.

- e. The FASB chairman, two Board members, and the technical director participated in a private networking meeting via telephone conference with representatives from several different national standards-setting organizations.
- f. A Board member and staff member attended the International Forum of Accounting Standard Setters meeting in Taipei City, Taiwan.
- g. A Board member met with the Israel Accounting Standards Board and bank supervisors in Tel Aviv, Israel.
- h. A Board member met with the Chief Accountant of the Israel Securities Authority in Jerusalem.

### **ITEM 3: STAKEHOLDER EDUCATION AND COMMUNICATIONS**

#### **A. WEBINARS AND VIDEOS**

- 1. The FASB held one educational webinar:
  - a. IN FOCUS: 2017 GAAP Financial Reporting Taxonomy Improvements and SEC Update.
- 2. The FASB posted two featured videos:
  - a. FASB Preview of 2017
  - b. Getting to Know Harold Monk.
- 3. Investor podcast:
  - a. Change to Accounting for Tax Benefits of Stock Compensation featuring Marc Siegel and Jeff Brickman (2/17/17).

#### **B. SPEECHES DELIVERED**

- 1. FASB members or staff delivered more than 16 speeches at different conferences. The more significant conferences follow:
  - a. AICPA Governmental and Not-for-Profit Annual Update
  - b. American Accounting Association International Accounting Section Annual Conference
  - c. CBI Research Life Sciences Accounting & Reporting Congress



- d. Conference of State Bank Supervisors California Regulatory Forum
- e. Fisher College of Business, Ohio State University—AMIS Department—MaccEY Speaker Series
- f. PCAOB Annual Inspection Training
- g. Risk Management Association RMA-CECL Transition Working Group
- h. Southern Connecticut State University School of Business Capstone Event
- i. University of Virginia Darden Accounting Winter/Spring Conference
- j. Wharton School of the University of Pennsylvania Guest Lecture.

**C. PRESS RELEASES, MEDIA ADVISORIES, AND SOCIAL MEDIA**

1. The FASB issued 17 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 1<sup>st</sup> Quarter FASB Outlook was issued on January 12, 2017.

**ITEM 4: STRATEGIC, ADMINISTRATIVE, AND PROCEDURAL ACTIVITIES**

**A. STRATEGIC PLAN ACTIVITIES**

1. FASB members participated in a discussion of the FAF, FASB, and GASB goals for 2017 and accomplishments from 2016 with the Board of Trustees at its February meeting.

**B. ADMINISTRATIVE MATTERS**

1. None.

**C. PROFESSIONAL DEVELOPMENT PROGRAMS**

1. 2017 Financial Reporting Issues Conference.
2. The FASB Conceptual Framework Project: An Overview and Update, provided by Jim Leisenring, Senior Advisor; Jill Switter, Senior Project Manager; and Nicholas Cappiello, Supervising Project Manager.

3. Academic Research, provided by Christine A. Botosan, Board Member.
4. FASB Quarterly Update, provided by various project managers and staff.
5. 2017 EITF Update, provided by John Althoff, Partner, PwC; Rob Moynihan, FASB Practice Fellow and EITF Coordinator; and various staff.
6. GASB Financial Reporting Model Reexamination Project Update, provided by various GASB staff.
7. New Staff Training on XBRL, provided by various XBRL staff.

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

### **A. REPRESENTATIVES OF CONGRESS AND FEDERAL REGULATORY BODIES**

1. The technical director and an assistant director participated in a conference call to discuss intangible assets with U.S. Senator Mark R. Warner's (D-VA) staff.

## **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. Final standard on Omnibus 2017, addressing certain issues related to reporting component units, reclassification of goodwill, fair value measurement, and postemployment benefits.
  - b. Final Implementation Guide 2017.

- c. Final Implementation Guide on financial reporting for postemployment benefit plans other than pension plans.
- 2. The FASB staff distributed the following draft to the GASB for review:
  - a. Final Accounting Standards Update, *Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities*.
  - b. Final Accounting Standards Update, *Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting*.
  - c. Final Accounting Standards Update, *Service Concession Arrangements (Topic 853): Determining the Customer of the Operation Services in a Service Concession Arrangement* (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. The SEC accepted the 2017 GAAP Financial Reporting Taxonomy effective March 6, 2017.
- 2. The FASB published Taxonomy Updates as final for:
  - a. Accounting Standards Update 2016-19—*Technical Corrections and Improvements*
  - b. Accounting Standards Update 2016-20—*Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*
  - c. Accounting Standards Update 2017-01—*Business Combinations (Topic 805): Clarifying the Definition of a Business*
  - d. Accounting Standards Update 2017-03—*Accounting Changes and Error Corrections (Topic 250) and Investments—Equity Method and Joint Ventures (Topic 323)*
- 3. Implementation/Reference Guides:

- a. New Taxonomy Implementation Guides issued for 2017:
  - i. Retirement Benefits—Phase 1
  - ii. Leases under Topic 842
  - iii. Revenue from Contracts with Customers
- b. Existing Guides updated for 2017:
  - i. Disposal Groups and Discontinued Operations
  - ii. Insurance Concentration of Credit Risk Disclosures
  - iii. Liquidation Basis of Accounting
  - iv. Measurement Date Practical Expedient for Defined Benefits Plans
  - v. Notional Amount Disclosure
  - vi. Other Comprehensive Income
  - vii. Repurchase-to-Maturity Transactions and Repurchase Financings
  - viii. Segment Reporting
  - ix. Short-Duration Insurance Contracts
  - x. Subsequent Events<sup>1</sup>

## **B. OUTREACH ACTIVITIES**

- 1. The more significant Taxonomy-related outreach activities this quarter included the following:
  - a. Hosted or participated in meetings of the FASB Taxonomy Advisory Group, industry working groups, 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.

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<sup>1</sup> In the case of the 2017 Subsequent Events Implementation Guide, an inline format guide has been posted to the FASB website. For all other 2017 Implementation Guides, inline format guides are in process and will be posted to the FASB website when they become available.

### C. OTHER ACTIVITIES

1. The staff developed a plan to assess the efficiency and effectiveness of the U.S. GAAP Financial Reporting Taxonomy (“GAAP Taxonomy”). That plan includes the development and issuance of an Invitation to Comment, which will be issued in the second quarter. Findings will be reported to the U.S. Securities and Exchange Commission. The FASB is conducting the assessment in response to the request in the “U.S. Securities and Exchange Commission’s Order Regarding Review of FASB Accounting Support Fee for 2017 Under Section 109 of the Sarbanes-Oxley Act of 2002 (Securities Act of 1933, Release No. 33-10297/January 31, 2017; Securities Exchange Act of 1934, Release No. 34-79912/January 31, 2017).”

## Technical Agenda Overview

Revised April 1, 2017

<b>FRAMEWORK PROJECTS</b>	<b>Current Stage</b>	<b>Timing</b>
Conceptual Framework: Measurement	Initial deliberations	
Conceptual Framework: Presentation	ED redeliberations	
Disclosure Framework: Board's Decision Process	ED redeliberations	

<b>RECOGNITION &amp; MEASUREMENT: BROAD PROJECTS</b>	<b>Current Stage</b>	<b>Timing</b>
Accounting for Financial Instruments: Hedging	ED redeliberations	
Insurance: Targeted Improvements to the Accounting for Long-Duration Contracts	ED redeliberations	

<b>RECOGNITION &amp; MEASUREMENT: NARROW PROJECTS</b>	<b>Current Stage</b>	<b>Timing</b>
Collaborative Arrangements: Targeted Improvements	Initial deliberations	
Consolidation Reorganization and Targeted Improvements	Initial deliberations	
Consolidation Targeted Improvements to Related Party Guidance for Variable Interest Entities	Initial deliberations	
Determining the Customer of the Operation Services in a Service Concession Arrangement (EITF 16-C)	Drafting final standard	<b>Q2 2017</b>

Improving the Accounting for Asset Acquisitions and Business Combinations ( <i>phase 3 of the Definition of a Business project</i> )	Initial deliberations	
Liabilities & Equity: Targeted Improvements	ED redeliberations	
Nonemployee Share-Based Payment Accounting Improvements	ED out for public comment	<b>Ends June 5, 2017</b>
Revenue Recognition of Grants and Contracts by Not-for-Profit Entities	Initial deliberations	
Scope of Modification Accounting in Topic 718	Drafting final standard	<b>Q2 2017</b>
Technical Corrections and Improvements	Initial deliberations	

<b>PRESENTATION &amp; DISCLOSURE PROJECTS</b>	<b>Current Stage</b>	<b>Timing</b>
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	ED redeliberations	
Disclosure Framework: Disclosures—Interim Reporting	Initial deliberations	
Disclosure Framework: Entity’s Decision Process	ED redeliberations	
Disclosures by Business Entities about Government Assistance	ED redeliberations	
Simplifying the Balance Sheet Classification of Debt	ED out for public comment	<b>Ends May 5, 2017</b>

<b>RESEARCH PROJECTS</b>
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



Distinguishing Liabilities from Equity (including convertible debt)
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)
Financial Statements of Not-for-Profit Entities (phase 2)
Intangible Assets (including research and development)
Inventory and Cost of Sales
Pensions and Other Postretirement Employee Benefit Plans
Subsequent Accounting for Goodwill for Public Business Entities and Not-for-Profit Entities