

REPORT OF THE CHAIRMAN OF THE FASB
TO THE FINANCIAL ACCOUNTING FOUNDATION
January 1, 2010 through March 31, 2010

ITEM 1: TECHNICAL ACTIVITIES

BOARD AND STAFF ACTIVITIES

a. Accounting Standards Updates Issued:

1. Accounting Standards Update No. 2010-01, *Equity (Topic 505): Accounting for Distributions to Shareholders with Components of Stock and Cash* (a consensus of the FASB Emerging Issues Task Force) (issued 1/5/10).
2. Accounting Standards Update No. 2010-02, *Consolidation (Topic 810): Accounting and Reporting for Decreases in Ownership of a Subsidiary—a Scope Clarification* (issued 1/6/10).
3. Accounting Standards Update No. 2010-03, *Extractive Activities—Oil and Gas (Topic 932): Oil and Gas Reserve Estimation and Disclosures* (issued 1/6/10).
4. Accounting Standards Update No. 2010-04, *Accounting for Various Topics, Technical Corrections to SEC Paragraphs* (issued 1/15/10).
5. Accounting Standards Update 2010-5, *Compensation—Stock Compensation (Topic 718), Escrowed Share Arrangements and the Presumption of Compensation* (issued 1/15/10).
6. Accounting Standards Update No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements* (issued 1/21/10).
7. Accounting Standards Update No. 2010-07, *Not-for-Profit Entities (Topic 958): Not-for-Profit Entities—Mergers and Acquisitions* (issued 1/28/10).
8. Accounting Standards Update No. 2010-08, *Technical Corrections to Various Topics* (issued 2/2/10).
9. Accounting Standards Update No. 2010-09, *Subsequent Events (Topic 855): Amendments to Certain Recognition and Disclosure Requirements* (issued 2/24/10).
10. Accounting Standards Update 2010-10, *Consolidation (Topic 810): Amendments for Certain Investment Funds* (issued 2/25/10).
11. Accounting Standards Update No. 2010-11, *Derivatives and Hedging (Topic 815): Scope Exception Related to Embedded Credit Derivatives* (issued 3/5/10).

b. Exposure Drafts Issued:

1. Proposed Statement of Financial Accounting Concepts, *Conceptual Framework for Financial Reporting: The Reporting Entity* (issued 3/11/10). Comments are requested by July 16, 2010.
- c. Projects Added to the Technical Agenda:
1. Balance sheet offsetting of financial instruments (FASB agenda).
 2. Investment properties—fair value accounting (FASB agenda).
 3. Postretirement benefits—improve disclosures about an employer’s participation in a multiemployer plan (FASB agenda).
 4. EITF Issue No. 09-K, "Health Care Entities: Presentation of Insurance Claims and Related Insurance Recoveries."
 5. EITF Issue No. 09-L, "Health Care Entities: Measuring Charity Care for Disclosure."
 6. EITF Issue No. 10-A, "How the Carrying Amount of a Reporting Unit Should Be Determined When Performing Step 1 of the Goodwill Impairment Test."
 7. EITF Issue No. 10-B "Accounting for Multiple Foreign Currency Exchange Rates."
- d. Projects Removed from the Technical Agenda:
1. EITF Issue No. 08-10, "Selected Statement 160 Implementation Questions." This Issue was removed from the EITF agenda following the issuance of Accounting Standards Update No. 2009-17, *Consolidations (Topic 810): Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*.
- e. Emerging Issues Task Force. All FASB members participated in the March 18, 2010 EITF meeting. The EITF reached consensus on five Issues and consensus-for-exposure on two Issues, all of which were ratified by the Board on March 31, 2010.
- f. Outreach Activities—Meetings of FASB Standing Advisory Groups:
1. Investors Technical Advisory Committee (ITAC): Five Board members and several staff members (both FASB and IASB) met with ITAC in January in an open meeting to discuss the Board’s projects on revenue recognition, improved disclosures about fair value measurements, financial statement presentation, and consolidations. Two rotating Board members and several staff members also met in a closed session, before the open meeting, to discuss those same topics.
 2. Financial Accounting Standards Advisory Council (FASAC): Four Board members, several staff members, and invited guests participated in the March meeting of the FASAC. Council members discussed a variety of topics including the Board’s projects on financial statement presentation and consolidations and issues related to the Board’s overall agenda, including the effective dates and transition for major forthcoming projects, prioritization and sequencing, due process, and guidance on converged standards.

- g. Outreach Activities—Other Consultations with Constituents:
1. American Council of Life Insurers (ACLI): Two Board members and the technical director met privately with representatives from ACLI to discuss issues related to acquisition costs (within the insurance contracts project), the presentation of financial information, and revenue recognition.
 2. Big 4 Firms: Two Board members and the technical director met in a private meeting in February with representatives from the four largest public accounting firms to discuss a general update on technical activities.
 3. CFA Institute: One Board member and the technical director met in a private meeting in January with representatives of the CFA Institute. Topics discussed include collaborative outreach opportunities and involvement in FASB activities and groups.
 4. Committee on Bank Accounting and Reporting (COBAR): One Board member and an assistant technical director met privately with representatives of the COBAR to discuss financial instruments, the Memorandum of Understanding (MOU) projects and timing, financial statement presentation, comprehensive income presentation, leasing, loan loss disclosures, consolidations, derecognition, financial instruments with characteristics of equity, and fair value measurement.
 5. Council of Institutional Investors (CII): Two Board members and members of the staff met privately with representatives of CII via conference call in February to discuss the convergence process, regulatory reporting, and financial instruments.
 6. Financial Executives International (FEI): Four Board members and the Financial Accounting Foundation President attended a meeting with the Board of Directors of FEI in March to discuss mutual topics of interest.
 7. Financial Stability Board of the G20 Nations: The chairman, together with the IASB chairman, met with the Steering Committee of the Financial Stability Board of the G20 Nations in March to report on the progress of international convergence of accounting standards.
 8. Group of North American Insurance Enterprises (GNAIE): Two Board members and several staff members met privately with representatives from GNAIE in January about the insurance contracts project.
 9. Institute of Management Accountants (IMA): One Board member participated by telephone in the March meeting of IMA's Financial Reporting Committee. Topics discussed include the Boards' progress on the MOU and the SEC workplan; the Board's projects on financial statement presentation, statement of comprehensive income, financial instruments, leases, revenue recognition, and disclosure of loss contingencies; and the Codification.

10. International Association of Insurance Supervisors (IAIS): Two Board members, the technical director, four IASB members, and members of the FASB and IASB staff met privately with representatives of the IAIS to discuss the insurance contracts project.
11. National Investor Relations Institute (NIRI): One Board member and several staff members met privately in March with representatives from NIRI. Topics discussed include the Board's projects on the conceptual framework, disclosure framework, financial statement presentation, and XBRL; current issues for investor relations professionals; and issues related to the Board's overall agenda, including the MOU projects.
12. National Credit Union Administration (NCUA). Two Board members and staff met with NCUA officials and auditors to discuss and help resolve reporting issues related to the application of FIN46(R) and FAS 167 to certain governmental reporting entities.
13. Leaseurope: One Board member and IASB Board members met via webcast in a private meeting in January with representatives from Leaseurope to discuss issues in the lease project.
14. Pepsico: Two Board members met privately in January with representatives from Pepsico to discuss current financial reporting developments.
15. Travelers: Two Board members and several staff members met privately with representatives from Travelers in February to discuss insurance contract pricing.
16. AICPA Private Companies Practice Section Technical Issues Committee (TIC): A staff member met with TIC to discuss projects on subsequent events, the effect of a loan modification when the loan is part of a pool that is accounted for as a single asset, financial statement presentation, going concern, accounting for financial instruments, leases, revenue recognition, financial instruments with characteristics of equity, and disclosure framework.
17. User Outreach Call: One Board member held a call in March with five users of financial statements (both buy-side and sell-side) to discuss the project on emission trading schemes.
18. A staff member participated in a public roundtable at Deloitte & Touche focused on the insurance contracts project.
19. The technical director and several staff members met privately with representatives from the America's Health Insurance Plans about the insurance contracts project.
20. The revenue recognition team actively reached out to and met privately with various constituents to get their views on the proposed revenue model. Staff met with representatives from GE, IBM, Intel, Disney, UTC, CBI, Regeneron, Cold

Spring Construction, NAREIT, REALPAC, FEI's Committee on Corporate Reporting (CCR), the Big 4, and the SEC.

21. The technical director and staff met privately with the staff of the SEC to discuss ways to work together on the disclosure framework project and the boundaries of the FASB work.
22. A Board member and staff member participated in a private meeting of the joint FASB-IASB Advisory Panel on Impairment of Financial Assets.
23. Several Board members and staff participated in a public meeting of the joint FASB-IASB Working Group for the financial statement presentation project.
24. Several Board members and staff participated in the public JIG/FIAG meeting held in Norwalk.
25. A Board member and several staff met privately with selected constituents to discuss ways the Board might improve the style and format of the Accounting Standards Update.

COLLABORATION WITH THE INTERNATIONAL ACCOUNTING STANDARDS BOARD

- a. The FASB had multi-day joint Board meetings with the IASB in January, February, and March.
- b. FASB staff participated in IASB Board meetings and discussed various technical issues on the Boards' joint projects on insurance contracts, consolidations, financial instruments with characteristics of equity, revenue recognition, financial instruments classification and measurement, financial statement presentation, leases, cross-cutting issues, fair value measurements, financial instruments hedge accounting, and comprehensive income.
- c. FASB Board members participated in Board advisory meetings on revenue recognition, financial statement presentation, and insurance contracts by telephone and video conferences.
- d. The FASB and IASB Board members participated in joint education sessions on insurance contracts, leases, financial statement presentation, revenue recognition, fair value measurement, and consolidations.
- e. Two Board members participated by video in the financial statement presentation small group meeting.
- f. The chairman, Board members, and staff held joint strategy video conference meetings with representatives of the IASB to discuss planning matters on certain joint projects.

- g. The chairman and technical director met both publicly and privately with the joint working group of the FAF and IASCF Trustees to discuss progress toward convergence.
- h. The FASB and IASB directors met periodically to discuss technical and administrative matters.

OTHER INTERNATIONAL ACTIVITIES

- a. The chairman, technical director, and assistant director had a meeting with the chairman of EFRAG to discuss matters relating to FASB-IASB convergence efforts.
- b. The chairman participated in a meeting of the Financial Stability Board in Basel, Switzerland.
- c. The chairman participated in the ICAEW FRF meeting in London.

XBRL ACTIVITIES:

- a. On February 5, 2010, the FAF announced its new responsibility for the ongoing maintenance of the U.S. GAAP Financial Reporting Taxonomy applicable to public issuers registered with the SEC. The FAF and FASB staff are in the process of assembling a team of technical staff dedicated to maintaining the taxonomy and will work toward the release of the next taxonomy update in early 2011. The announcement was the culmination of several months of discussions between the FAF and the staff of the SEC.
- b. Since the announcement, the FAF and FASB staff have held several meetings with management of XBRL U.S. to transition responsibility to the FAF and FASB staff, as well as monthly meetings with staff of the SEC to report progress on transition, and to develop a plan for how the FAF and FASB staff will coordinate ongoing activities.
- c. To date, the requisite hardware and software has been installed and several key staff additions have been made, including appointing Louis Matherne as Chief of Taxonomy Development.

PROFESSIONAL DEVELOPMENT

- a. The following professional development sessions were presented to the Board and staff:
 - 1. James. J. Rizzo, ASA, FCA, MAAA; Norm Jones, FSA, FCA, MAAA; Piotr Krekora, Ph.D., ASA, MAAA. Pension Valuation Parameters—The speakers provided information concerning (a) measurements of pension liabilities under various actuarial cost methods, (b) measurements of pension expense under various actuarial cost methods and amortization methods, (c) measurements of the components of changes in pension

liability, and (d) the effect on these measurements of various discount rates, asset valuation methods, funding policies, and investment returns.

2. Gavin Francis, IASB Director of Capital Markets, and Liz Figgie, IASB Senior Project Manager (via videoconference). IFRS 9, *Financial Instruments*—The speakers provided an overview of the IASB’s newly issued standard that focuses on the classification and measurement of financial assets. The presentation addressed specific improvements and simplifications made from IAS 39, *Financial Instruments: Recognition and Measurement*, related to classification and impairment of financial assets.
3. Donald J. Boyd, Senior Fellow and former Director of the State and Local Government Finance Research Group at the Nelson A. Rockefeller Institute of Government, The Public Policy Research Arm of the State University of New York. The State of the States—Mr. Boyd discussed the economic and fiscal status of the 50 state governments in the wake of the deep nationwide recession. He also discussed the effect of the recession on state government finances, the effects of federal government assistance, the actions that state governments have taken to cope with the economic downturn and balance their budgets, and the outlook for the future.
4. Patricia Donoghue, FASB Project Manager, and Christopher Roberge, FASB Project Manager. The speakers provided an overview of the changes to FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, and FASB Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities*, that resulted from amendments contained in FASB Statements No. 166, *Accounting for Transfers of Financial Assets*, and No. 167, *Amendments to FASB Interpretation No. 46(R)*.
5. Christian Kusi-Yeboah, IASB Project Manager, and Michael Mueller, IASB Practice Fellow. IASB’s Project on Derecognition of Financial Assets and Liabilities. The speakers provided an overview of the IASB’s proposed derecognition models for financial assets and liabilities.
6. Dr. Susan Haka, Ernst & Young Professor of Accounting, Eli Broad College of Business, Michigan State University; and Dr. Terry Warfield, Director, Arthur Andersen Center for Financial Reporting and Control, Wisconsin School of Business, University of Wisconsin-Madison. The Impact of Standard Setting on Accounting Education—The speakers provided an overview of the current state of accounting education and identified some of the big issues faced by accounting academics (for example, faculty demographics, doctoral student applications, and demand by undergrad/grad students for accounting education). After laying out this foundation, the session examined how accounting educators and the educational system are dealing with the current pace of change in U.S. standard setting and the increasing prominence of IFRS.
7. Jeff Mechanick, FASB Assistant Director, and Paul Glotzer, FASB Project Manager. Nonpublic Entity Considerations in the Standard-Setting

Process—The speakers provided an overview of the nonpublic entity environment and discussed the process for consideration of nonpublic entities in the standard-setting process.

8. FASB Practice Fellows: Chad Bonn, Kris Anderson, Kevin Brower, Sriprasad Cadambi, Trevor Farber, Bill Hildebrand, Brad Homant, Diane Inzano, Adrian Mills, Bob Worshek, and FASB Associate Fellow Michael Gonzales. The speakers provided updates on (a) current accounting issues before the Emerging Issues Task Force (EITF) and (b) the fellows' activities related to Accounting Standards Updates (ASUs) and Issues presented to the EITF, including recent consensuses and issues that were discussed at or before the March 18, 2010 EITF meeting. In addition, the fellows provided an update on their activities relating to a number of completed FASB Staff Positions (FSPs) and ASUs.

ITEM 2: ADMINISTRATIVE AND STRATEGIC ACTIVITIES

- a. All Board members attended the February FAF Trustees meeting.
- b. Board members met with the FAF chairman and president to discuss the FAF strategic planning process.

ITEM 3: WASHINGTON ACTIVITIES

- a. The FAF chairman, the FAF president, and staff met with the chairman of the Federal Reserve, the chairman of the FDIC, and the Comptroller of the Currency to discuss convergence, decoupling, and fair value.
- b. The FAF president and staff held an introductory meeting with Deborah Matz, chairman of NCUA, and her senior staff to discuss the FAF's mission and identify opportunities for collaboration.
- c. Staff members met in person and/or by phone with staff from the offices of Senators Johnson, Corker, Enzi, Johanns, Tester, Merkley, Menendez, and Bayh to provide briefings on various technical projects in conjunction with Regulatory Reform legislation.
- d. Staff members met in person and/or by phone with staff from the offices of Congressmen Perlmutter and Himes to provide briefings on technical projects related to Regulatory Reform legislation.
- e. Staff members met in person and/or by phone with senior staff from the Senate Banking Committee; the Senate Permanent Subcommittee on Investigations; the House Financial Services Committee; the House Ways & Means Committee; and the House Energy & Commerce Committee to provide technical briefings and explanations on current and pending accounting standards related to Regulatory Reform legislation, Healthcare; and FAS 46(R).

- f. Staff members held an introductory meeting with senior staff of the Financial Crisis Inquiry Commission (FCIC) and offered assistance and input on accounting issues. Additional meetings are planned for April to provide further explanation on various accounting standards.
- g. FASB technical staff presented testimony before the House Subcommittee on Economic Development, Public Buildings and Emergency Management on Lease Accounting.
- h. Staff members held a March 30 House and Senate staff briefing on emerging accounting projects.
- i. Staff members met with senior staff of the Credit Union National Association (CUNA) in preparation for a February 25 speech by the FASB chairman.
- j. Staff members attended the U.S. Chamber of Commerce's Annual Capital Markets Conference in Washington, D.C.
- k. Staff members attended the annual SEC Association dinner in Washington, D.C.
- l. Staff members attended an SEC open meeting on the Convergence Work plan.

ITEM 4: SPEECHES DELIVERED

Principal platforms addressed by the Board and staff members during the January 2010 through March 2010 period include:

- AGC of America
- AICPA
- American Accounting Association, Financial Accounting & Reporting Section
- American University
- COBAR
- Connecticut Society of CPAs
- CUNA Governmental Affairs Conference
- FARS Mid-year Conference
- FEI Nashville Chapter
- Financial Stability Board Steering Committee Meeting
- Florida State University
- IAAER KPMG/IAS International Accounting Section AAA
- Michigan Association of CPAs
- Michigan State University, Eli Broad College of Business
- National Association of College & University Business Officers (NACUBO)
- NYSSCPA Annual Non-Profit Accounting Conference
- Orlando CFA Society – CFA Institute
- PCAOB
- UBS Investment Research – Insurance Non-Life Association of Insurance

- & Financial Analysts Conference
- U.S. Chamber of Commerce
- University of No. Florida Coggin College of Business
- University of Vermont
- Wake Forest University Accounting Program Leadership Group

ITEM 5: ADDITIONAL COMMUNICATIONS ACTIVITIES

- a. The FASB Communications Department issued the following press releases:
 1. 2-05-10: Financial Accounting Foundation to Maintain XBRL Technology for U.S. GAAP
 2. 2-26-10: Statement by the Financial Accounting Foundation and the Financial Accounting Standards Board Regarding the SEC's *Commission Statement in Support of Convergence and Global Accounting Standards*
 3. 3-11-10: FASB and IASB Issue Exposure Draft on the Reporting Entity Concept
 4. 3-31-10: FASB Chairman Robert H. Herz and IASB Chairman Sir David Tweedie to Discuss Global Accounting Issues at The George Washington University
- b. The department handled a number of press inquiries on FASB projects. Journalists we worked with included Joe Radigan of Thomson Reuters (interview with Chandy Smith regarding investor input into standard-setting); Janice Fiorvante, Institutional Investor (interview with Peter Proestakes regarding the FASB's pensions project); Mark Pengelly, Risk Magazine (profile of Bob Herz); Tom Jaworski of Tax Analysts (joint FASB/IASB meeting); Rob Lenihan (Thomson Reuters, a number of issues); Marie Leone of CFO.com (insurance contracts project); Denise Lugo and Steve Burkholder, BNA (weekly Board meeting inquiries); Jonathan Stern, Financial Crisis Advisor (fair value accounting); Christie Smythe, Portfolio Media (insurance contracts); Alex Ulam, "The Nation" (fair value accounting and mortgage loans). We also met with Rachel Sanderson, the new Financial Times accounting reporter, during her January visit to the U.S.; fielded press inquiries regarding the SEC's February announcement about international convergence "Work Plan"; and fielded inquiries in response to the Lehman Examiner's Report on "Repo 105."
- c. The department launched "The FASB Update—Financial Statement User Edition," an online newsletter that will be issued to FASB subscribers, media, and investors on a periodic basis. The first two issues were distributed in January and February.
- d. The department worked closely with FASB member Marc Siegel and investor liaisons Chandy Smith and Jeff Brickman to launch the "For the Investor" section of the FASB website
- e. The department worked with the FASB to develop a "Macro Statement" for MoU projects.
- f. The department worked with Bob Herz on developing his "Letter from the Chairman" for the 2009 FAF Annual Report.
- g. The department worked closely with Tom Linsmeier to develop and finalize a paper about the benefits of fair value measurements.
- h. The department conducted five student tours—Creighton University (1/6); Fairfield University chapter of Alpha Beta Psi (3/3); Bay Path College (3/10); Texas A&M Fellows (3/17); and the University of New Hampshire (3/17).

ITEM 6: GASB LIAISON ACTIVITIES

- a. FASB meeting minutes were sent to the GASB RTA director and certain GASB staff.
- b. GASB meeting minutes were sent to the FASB chairman and directors.
- c. The GASB RTA director and the FASB P&S director held monthly meetings and met quarterly with the FASB and GASB chairmen.
- d. The FASB staff distributed the following drafts to the GASB for review:
 - Accounting Standards Update No. 2010-09, *Subsequent Events (Topic 855): Amendments to Certain Recognition and Disclosure Requirements*
 - Accounting Standards Update No. 2010-10, *Consolidation (Topic 810): Amendments for Certain Investment Funds*
 - Accounting Standards Update No. 2010-11, *Derivatives and Hedging (Topic 815): Scope Exception Related To Embedded Credit Derivatives*
 - Accounting Standards Update No. 2010-13, *Compensation—Stock Compensation (Topic 718): Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades* (a consensus of the FASB Emerging Issues Task Force)
 - Final Accounting Standards Update, *Financial Services—Insurance (Topic 944): How Investments Held through Separate Accounts Affect an Insurer’s Consolidation Analysis of Those Investments* (a consensus of the FASB Emerging Issues Task Force)
 - Final Accounting Standards Update, *Entertainment—Casinos (Topic 924): Accruals for Casino Jackpot Liabilities* (a consensus of the FASB Emerging Issues Task Force)
 - Final Accounting Standards Update, *Receivables (Topic 310): Effect of a Loan Modification When the Loan Is Part of a Pool That Is Accounted for as a Single Asset* (a consensus of the FASB Emerging Issues Task Force)
 - Final Accounting Standards Update, *Revenue Recognition—Milestone Method (Topic 605): Milestone Method of Revenue Recognition* (a consensus of the FASB Emerging Issues Task Force)
 - Proposed Accounting Standards Update, *Health Care Entities (Topic 954): Presentation of Insurance Claims and Related Insurance Recoveries* (a consensus of the FASB Emerging Issues Task Force)
 - Proposed Accounting Standards Update, *Health Care Entities (Topic 954): Measuring Charity Care for Disclosure* (a consensus of the FASB Emerging Issues Task Force)
 - Proposed Accounting Standards Update, *Comprehensive Income (Topic 220): Statement of Comprehensive Income*
 - Proposed Statement of Financial Accounting Concepts, *Conceptual Framework for Financial Reporting*
 - Proposed Accounting Standards Update, *Presentation of Financial Statements (Topic 205): Reporting Discontinued Operations*

- Proposed Accounting Standards Update, *Topics on Financial Statement Presentation*
- Proposed Accounting Standards Update, *Financial Instruments with Characteristics of Equity*
- Proposed Accounting Standards Update, *Revenue Recognition (Topic 605): Revenue from Contracts with Customers*
- Proposed Accounting Standards Update, *Accounting for Financial Instruments*.