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## REPORT OF THE FASB CHAIRMAN

**July 1, 2018 through September 30, 2018**

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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. 2018-09, *Codification Improvements*, issued July 16, 2018.
  - b. Accounting Standards Update No. 2018-10, *Codification Improvements to Topic 842, Leases*, issued July 18, 2018.
  - c. Accounting Standards Update No. 2018-11, *Leases (Topic 842): Targeted Improvements*, issued July 30, 2018.
  - d. Accounting Standards Update No. 2018-12, *Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts*, issued August 15, 2018.
  - e. Accounting Standards Update No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*, issued August 28, 2018.
  - f. Accounting Standards Update No. 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*, issued August 28, 2018.
  - g. Accounting Standards Update No. 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* (a consensus of the FASB Emerging Issues Task Force), issued August 29, 2018.
  - h. Concepts Statement No. 8, *Conceptual Framework for Financial Reporting: Chapter 8, Notes to Financial Statements*, issued August 28, 2018.

- i. Amendments to Concepts Statement No. 8, *Conceptual Framework for Financial Reporting: Chapter 3, Qualitative Characteristics of Useful Financial Information*, issued August 28, 2018.
2. The Board issued the following proposed documents for public comment:
  - a. Proposed Accounting Standards Update, *Leases (Topic 842): Narrow-Scope Improvements for Lessors* (issued August 13, 2018). Comment deadline: September 12, 2018.
  - b. Proposed Accounting Standards Update, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses* (issued August 20, 2018). Comment deadline: September 19, 2018.

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

1. The Board added the following projects to its agenda:
  - a. Codification Improvements: Financial Instruments—Credit Losses (July).
  - b. Facilitation of the Effects of the LIBOR to Secured Overnight Financing Rate (SOFR) Transition on Financial Reporting (August).

## **C. SIGNIFICANT TECHNICAL DECISIONS**

1. Lessor Narrow-Scope Improvements
  - a. The Board decided to allow a lessor to make an accounting policy election to exclude from consideration in a lease contract and from variable payments, certain sales taxes and other similar taxes collected from lessees.
  - b. The Board decided to clarify its intent in the Codification related to the allocation and recognition requirements for variable lease payments that have both lease and nonlease components.
2. Financial Instruments—Credit Losses Implementation
  - a. The Board decided to amend the effective date of Update 2016-13 for nonpublic business entities to fiscal years beginning after December 15, 2021, and interim periods within those fiscal years.
3. Collaborative Arrangements
  - a. The Board reaffirmed the scope of the project to clarify whether Topic 606, Revenue from Contracts with Customers, could be applied to certain transactions

in collaborative arrangements that are within the scope of Topic 808, Collaborative Arrangements.

- b. The Board also addressed related implementation questions on unit of account, transactions directly related to third-party sales, and presentation.
4. Simplifying the Balance Sheet Classification of Debt
    - a. The Board continued its redeliberations, reversing its previous decision that if a long-term financing arrangement is in place as of the balance sheet date, the amount of current maturities for the debt arrangement would be reduced by the unused amount and classified as a noncurrent liability.
    - b. The Board also clarified how to apply the debt classification principle when a debt covenant violation exists and the creditor provides a grace period.
  5. Inclusion of the Overnight Index Swap (OIS) Rate Based on SOFR as a Benchmark Interest Rate for Hedge Accounting Purposes
    - a. The Board confirmed its decision to add the OIS rate based on SOFR as a benchmark interest rate.
  6. Financial Instruments—Credit Losses Implementation
    - a. The Board discussed and made decisions on issues from the June 11, 2018 Transition Resource Group meeting including capitalized interest, refinancing and loan prepayments, inclusion of accrued interest in defining amortized cost basis, reversal of accrued interest on nonaccrual loans, transfers of loans and debt securities between categories, and recoveries.
  7. Codification Improvements—Financial Instruments
    - a. The Board discussed proposed amendments to the Codification to clarify implementation issues related to Accounting Standards Updates No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*, and No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*.
  8. 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. The chairman directed the staff to begin work on a preagenda financial instruments project regarding the measurement alternative and observable transactions identified after the reporting date (September).
2. The Board added a project to its research agenda on potential hedge accounting issues that are broader than the amendments made in Accounting Standards Update No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities* (September).

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

1. The staff performed research on:
  - a. Share-based compensation awarded by private companies
  - b. Disclosure Improvements in Response to SEC Release on Disclosure Update and Simplification.

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

1. FASAC meeting:
  - a. Six Board members, the technical director, and several FASB staff members participated in the September 25, 2018 FASAC meeting. The meeting topics focused on tax reform and income tax disclosure, the SEC's disclosure effectiveness project recommendations, and accounting and reporting alternatives within GAAP.
2. The following advisory committee meeting was held:
  - a. Public meeting of the Not-for-Profit Advisory Committee (NAC) (September 13-14). Six Board members, the technical director, and several FASB staff members participated. Topics included Accounting Standards Update No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*; implementation issues for other recent major standards; the FASB's project on updating the definition of *collections*; other recently issued Accounting Standards Updates and ongoing FASB agenda and research projects; the FASB's activities in response to the Tax

Cuts and Jobs Act; international not-for-profit (NFP) standard-setting activities; and recent trends, concerns, and observations in the NFP sector.

#### D. INTERACTION WITH PRIVATE COMPANY STAKEHOLDERS

1. The Private Company Council (PCC) did not meet in the third quarter but has scheduled meetings on October 9 and December 17, 2018.
2. Several FASB staff members met with the Technical Issues Committee of the AICPA Private Company Practice Section (TIC) by phone on August 14. Topics included revenue recognition, leases, share-based compensation, and consolidation of entities under common control.

#### E. OTHER SIGNIFICANT STAKEHOLDER OUTREACH ACTIVITIES

1. Private meeting with the Academic Resource Group (ARG) (July 19-20). Four Board members participated on a rotational basis. The technical director and several FASB staff members also participated. The meeting topic was the FASB's project on the conceptual framework, including revenues, expenses, gains and losses, and subsequent measurement of assets and liabilities.
2. Public meeting with the AICPA Auditing Standards Board Audit Issues Task Force (AITF) (September 7). Six Board members, the technical director, and several FASB staff members participated. Topics included the implementation of credit impairment, revenue recognition, leases, simplifying the balance sheet classification of debt, and goodwill and other intangible assets.
3. Public meeting with the Institute of Management Accountants Financial Reporting Committee (FRC) (September 21). Four Board members, the technical director, and several FASB staff members participated. Topics included leases, financial instruments, disclosure framework, distinguishing liabilities from equity, hedging, and income taxes.
4. Private meeting with the Financial Executives International Committee on Corporate Reporting (CCR) (September). A Board member participated in person, and an FASB staff person participated via phone. Topics included technology and financial reporting, goodwill amortization, definition of a business, disclosure framework, segment reporting, and leases.

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

1. Individual meetings with stakeholders:

- a. The FASB members and staff conducted 160 outreach meetings (6% with investors and other users, 35% with practitioners, 38% with preparers, 10% with regulators, 2% with trade group representatives, and 9% with others\*) to discuss issues in 27 different FASB and EITF projects, most notably credit losses, leases, hedging, and segments.

\*Others (including academics, consultants, and state societies of CPAs)

2. Broad stakeholder outreach through comment letters:
  - a. Through 119 comment letters, the Board received feedback from a range of stakeholder types (1% from financial statement users; 17% from auditors; 47% from representatives of public companies, private companies, and not-for-profit organizations; and 35% from professional trade, advocacy organizations, and others, including state societies, regulators, and other standard setters) on different FASB and EITF projects.

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

1. Five Board members attended the September 27, 2018 EITF meeting. The Task Force reached consensus-for-exposure on Issue No. 18-A, “Recognition under Topic 805 for an Assumed Liability in a Revenue Contract,” and on Issue No. 18-B, “Improvements to Accounting for Episodic Television Series.” The Board ratified both consensus-for-exposure at its October 10, 2018 Board meeting and directed the staff to draft a proposed Update for each Issue reflecting the consensus-for-exposure for vote by written ballot. The chairman directed the staff to prepare an Invitation to Comment to solicit input about measurement and other topics related to Issue 18-A.

#### H. INTERNATIONAL ACTIVITIES

1. Activities between the FASB and the IASB were as follows:
  - a. The FASB vice chairman and a Board member participated in the IASB’s Accounting Standards Advisory Forum in London.
  - b. The FASB technical director had periodic meetings via phone with the IASB executive technical director to discuss matters of mutual interest.
2. Activities among the FASB and other national standards setters included the following:
  - a. A Board member participated in the EFRAG meeting in Berlin.

- b. The FASB chairman and two board members participated in the Multi-Lateral Network meeting in Toronto.

#### I. VIDEOS AND WEBINARS

1. The FASB featured three videos and two webinars:
  - a. Video: FASB Hedging: A New Standard
  - b. Video: FASB Accounting Standards Update: Insurance
  - c. Video: FASB Academic Fellowship Program
  - d. Webinar: FASB Update for Accounting Educators
  - e. Webinar: Understanding and Implementing FASB's New Grants and Contracts Standard.

#### J. SPEECHES DELIVERED

1. FASB members or staff delivered 32 speeches at different conferences/events. The more significant conferences follow:
  - a. AICPA National Conference on Banking and Savings Institutions
  - b. AICPA/CIMA SEC Conference Accounting & Reporting Update for U.S. Listed Companies and Foreign Private Issuers
  - c. American Accounting Association (AAA) 2018 Annual Meeting
  - d. Barclays 16th Annual Global Financial Services Conference
  - e. Cal State Fullerton Center for Corporate Reporting and Governance 17th Annual SEC 'Hot Topics' Conference
  - f. CFA Society of New York (CFANY) Impact of 2017 Tax Reform Act
  - g. Equipment Leasing and Finance Association (ELFA) Lease and Finance Accountants Conference
  - h. Florida Institute of CPAs (FICPA) Accounting & Business Show
  - i. Georgia Society of CPAs Southeastern Accounting Show
  - j. Illinois CPA Society Financial Reporting Symposium
  - k. Indiana CPA Society 2018 Not for Profit Conference
  - l. Insurance Asset Risk Magazine Insurance Asset Risk Conference

- m. Kennesaw State University Financial Reporting Roundtable
- n. National Association of Real Estate Investment Trusts 2018 SFO Forum
- o. National Association of Stock Plan Professionals (NASPP) National Conference.

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

- 1. The FASB issued 20 press releases, media advisories, or stakeholder emails on a variety of topics with accompanying social media.

**L. OTHER COMMUNICATIONS ACTIVITIES AND EDUCATION**

- 1. The 3<sup>rd</sup> Quarter FASB Outlook was issued on July 30, 2018.
- 2. The FASB Segment Reporting Study survey/web portal was posted from August 6 to September 14.
- 3. Interviews, statements, and background interviews on long-duration insurance contracts, credit losses, segment reporting, digital currency, cloud computing, materiality, derivative FV accounting, revenue recognition, balance sheet classification of debt, collaborative arrangements, and hedging.

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

**A. STRATEGIC PLAN ACTIVITIES**

- 1. The FASB Board and technical director participated in the FAF's strategic planning process.

**B. ADMINISTRATIVE MATTERS**

- 1. None.

**C. PROFESSIONAL DEVELOPMENT PROGRAMS**

- 1. The FASB Conceptual Framework Project: An Overview and Update (A special presentation for PTAs)
- 2. AICPA Peer Review Program
- 3. An Update on the AICPA Auditing Standards Board.



## **ITEM 4: FEDERAL GOVERNMENT AND REGULATORY LIAISON ACTIVITIES**

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

1. An FASB member and an assistant director participated in a roundtable discussion with Members of Congress, representatives of the banking regulators, representatives of the SEC, and representatives of the banking industry to discuss the current expected credit loss standard.
2. The FASB technical director and FASB staff held a conference call briefing with congressional staff related to the revenue recognition standard.
3. The FASB chairman, an FASB member, and the FASB technical director participated in a routine, private liaison meeting with representatives from the SEC and the PCAOB to discuss matters of mutual interest.
4. The FASB Board members and the FASB technical director participated in a routine, private liaison meeting with representatives of the banking regulators to discuss matters of mutual interest.

## **ITEM 5: FAF/FASB/GASB INTERACTION**

- A.** 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 staff distributed the following documents to the FASB staff for review:
  - a. Preliminary Views, *Recognition of Elements of Financial Statements*
  - b. Preliminary Views, *Financial Reporting Model Improvements*.
2. The FASB staff distributed the following drafts to the GASB for review:
  - a. Accounting Standards Update, *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities*

- b. Accounting Standards Update, *Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606*
- c. Accounting Standards Update, *Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes*
- d. Proposed Accounting Standards Update, *Leases (Topic 842): Narrow-Scope Improvements for Lessors*
- e. Proposed Accounting Standards Update, *Codification Improvements to Financial Instruments—Credit Losses (Topic 326)*.

## **ITEM 7: XBRL ACTIVITIES**

The FASB is responsible for the ongoing development and maintenance of the GAAP Financial Reporting Taxonomy (Taxonomy) and new for 2018, the SEC Reporting Taxonomy (SRT) applicable to public issuers registered with the U.S. Securities and Exchange Commission (SEC).

### **A. TECHNICAL ACTIVITIES**

1. The FASB published Taxonomy Updates as final (pending annual update) for:
  - a. Accounting Standards Update No. 2018-09—*Codification Improvements*
  - b. Accounting Standards Update No. 2018-10—*Codification Improvements to Topic 842, Leases*
  - c. Accounting Standards Update No. 2018-11—*Leases (Topic 842): Targeted Improvements*
  - d. Accounting Standards Update No. 2018-14—*Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*
  - e. Accounting Standards Update No. 2018-15—*Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* (a consensus of the FASB Emerging Issues Task Force).
2. The FASB published Taxonomy Exposure Drafts for:

- a. Accounting Standards Update No. 2018-12—Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts
  - b. Proposed Accounting Standards Update—*Codification Improvements to Topic 326, Financial Instruments—Credit Losses*
  - c. Accounting Standards Update No. 2018-13—*Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*
  - d. Accounting Standards Update No. 2016-13—*Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*
  - e. Proposed Accounting Standards Update—*Leases (Topic 842): Narrow-Scope Improvements for Lessors.*
3. The FASB published other Proposed Taxonomy Improvements for:
    - a. *Proposed Technical and Other Conforming Improvements for 2019 US GAAP Financial Reporting Taxonomy*
    - b. *Proposed Technical and Other Conforming Improvements for 2019 SEC Reporting Taxonomy.*
  4. The FASB published for exposure for a 30-day comment period the following 2019<sup>1</sup> Taxonomy Implementation Guide
    - a. Insurance, Long-Duration Contracts.

## **B. OUTREACH ACTIVITIES**

1. The more significant Taxonomy-related outreach activities this quarter included the following:
  - a. Presented at Workiva User conference in Nashville, TN.
  - b. Hosted or participated in meetings of the FASB Taxonomy Advisory Group (including a two-day face-to-face meeting in Norwalk), industry working groups, XBRL US Data Quality Committee, various XBRL International technical working groups (including the Entity Specific Disclosure Task Force co-chaired by the FASB Chief of Taxonomy Development), the IASB IFRS Taxonomy

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<sup>1</sup> Pending SEC Acceptance. The 2019 Taxonomy is subject to change until published as final.

Consultative Group, and the SEC Division of Economic and Risk Analysis (DERA) staff.

## Technical Agenda Overview

Revised October 1, 2018

<b>FRAMEWORK PROJECTS</b>	<b>Current Stage</b>	<b>Timing</b>
Conceptual Framework: Elements	Initial deliberations	
Conceptual Framework: Measurement	Initial deliberations	
Conceptual Framework: Presentation	ED redeliberations	

<b>RECOGNITION &amp; MEASUREMENT: BROAD PROJECTS</b>	<b>Current Stage</b>	<b>Timing</b>
Distinguishing Liabilities from Equity (including convertible debt)	Initial deliberations	

<b>RECOGNITION &amp; MEASUREMENT: NARROW PROJECTS</b>	<b>Current Stage</b>	<b>Timing</b>
Codification Improvements ( <i>next phase</i> )	Initial deliberations	
Codification Improvements—Financial Instruments	Drafting ED	<b>Q4 2018</b>
Codification Improvements—Financial Instruments—Credit Losses	ED redeliberations	

Codification Improvements—Hedge Accounting	Initial deliberations	
Collaborative Arrangements: Targeted Improvements	Drafting final standard	<b>Q4 2018</b>
Consolidation Reorganization and Targeted Improvements	ED redeliberations	
Consolidation Targeted Improvements to Related Party Guidance for Variable Interest Entities	Drafting final standard	<b>Q4 2018</b>
Facilitation of the Effects of the London Interbank Offered Rate (LIBOR) to Secured Overnight Financing Rate (SOFR) Transition on Financial Reporting	Initial deliberations	
Hedging—Last-of Layer-Method	Initial deliberations	
Improvements to Accounting for Episodic Television Series (EITF 18-B)	Drafting ED	<b>Q4 2018</b>
Improving the Accounting for Asset Acquisitions and Business Combinations	Initial deliberations	
Inclusion of the Overnight Index Swap (OIS) Rate based on the Secured Overnight Financing Rate (SOFR) as a Benchmark Interest Rate for Hedge Accounting Purposes	Drafting final standard	<b>Q4 2018</b>
Lessor Narrow-Scope Improvements	ED redeliberations	

Recognition under Topic 805 for an Assumed Liability in a Revenue Contract (EITF 18-A)	Drafting ED	
Updating the Definition of Collections	ED redeliberations	

<b>PRESENTATION &amp; DISCLOSURE PROJECTS</b>	<b>Current Stage</b>	<b>Timing</b>
Disclosure Framework: Disclosure Review—Income Taxes	ED redeliberations	
Disclosure Framework: Disclosure Review—Inventory	ED redeliberations	
Disclosure Framework: Disclosures—Interim Reporting	Initial deliberations	
Disclosures by Business Entities about Government Assistance	ED redeliberations	
Financial Performance Reporting—Disaggregation of Performance Information	Initial deliberations	
Segment Reporting	Initial deliberations	
Simplifying the Balance Sheet Classification of Debt	Drafting final standard	<b>Q4 2018</b>

<b>RESEARCH PROJECTS</b>
Accounting for Certain Identifiable Intangible Assets in a Business Combination & Subsequent Accounting for Goodwill for Public Business Entities & Not-for-Profits
Disclosure Improvements in Response to SEC Release on Disclosure Update and Simplification
Disclosure Review—Intangibles, Share-based Payment, and Foreign Currency
Financial Performance Reporting: Financial Statements of Not-for-Profit Entities Structure of the Performance Statement
Hedge Accounting—Phase 2
Income Taxes—Backwards Tracing
Inventory and Cost of Sales
Measurement Alternative and Observable Transactions Identified after the Reporting Date
Simplifications to Accounting for Income Taxes
Targeted Improvements to the Statement of Cash Flows
Variable Interest Entity Related Party Guidance