

REPORT OF THE CHAIRMAN OF THE FASB  
TO THE FINANCIAL ACCOUNTING FOUNDATION  
August 1, 2008 through October 31, 2008

---

**ITEM 1: TECHNICAL ACTIVITIES**

**BOARD AND STAFF ACTIVITIES**

a. Documents issued:

1. FSP FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*
2. FSP FAS 133-1 and FIN 45-4, *Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161*
3. FSP FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*
4. Proposed FSP FAS 140-e and FIN 46(R)-e, *Disclosures about Transfers of Financial Assets and Interests in Variable Interest Entities*
5. Revised Exposure Draft, *Accounting for Transfers of Financial Assets*
6. Exposure Draft, *Amendments to FASB Interpretation No. 46(R)*
7. Exposure Draft, *Going Concern*
8. Exposure Draft, *Subsequent Events*
9. Revised Exposure Draft, *Earnings per Share*
10. Proposed FSP FAS 144-d, *Amending the Criteria for Reporting a Discontinued Operation*
11. Discussion Paper, *Preliminary Views on Financial Statement Presentation*.

b. Agenda decisions to add projects:

1. *Subsequent Events* and *Going Concern*. These projects were added back on the Board's agenda to provide appropriate visibility to the new guidance for constituents. The guidance will issued as new standards.
2. *FIN 48—Applicability to Private Entities*. A project was added to the Board's agenda to consider whether a deferral of or any other modifications to FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, should be provided for private companies. That agenda decision was made in response to requests from several constituents, including the Private Company Financial Reporting Committee (PCFRC).
3. *Determining Fair Value in a Market That Is Not Active*. A project was added to the Board's agenda to provide additional guidance needed to aid practitioners in estimating the fair value of assets in markets that are not active via application of the principles contained in FASB Statement No. 157, *Fair Value Measurements*.

4. *Assets and Liabilities Arising from Contingencies in a Business Combination*. A project was added to the Board's agenda to reconsider the guidance in FASB Statement No. 141 (revised 2007), *Business Combinations*, related to preacquisition contingencies.
  5. *Insurance Contracts*. The FASB will join the IASB in its accounting for insurance contracts project, which will become a joint project going forward.
- c. Agenda decision to remove a project:
1. *Fair Value Options (phase 2)*. The second phase of the fair value options project was removed from the Board's agenda.
- d. Emerging Issues Task Force (EITF):
1. At the September 24, 2008 Board meeting, the Board ratified the consensus reached at the September 10, 2008 EITF meeting on Issue No. 08-5, "Issuer's Accounting for Liabilities Measured at Fair Value with a Third-Party Credit Enhancement."
  2. The Board also ratified the consensuses-for-exposure reached by the Task Force on Issues No. 08-6, "Equity Method Investment Accounting Considerations," No. 08-7, "Accounting for Defensive Intangible Assets," and No. 08-8, "Accounting for an Instrument (or an Embedded Feature) with a Settlement Amount That Is Based on the Stock of an Entity's Consolidated Subsidiary." The comment period for the draft abstracts posted to the FASB website for each of those Issues ended on October 22, 2008.
- e. Four Board members participated in the September EITF meeting.
- f. The Board met in public meetings with representatives of the following organizations and discussed matters of mutual interest:
1. AICPA PCPS Technical Issues Committee
  2. CFA Institute.
- g. On September 8, 2008, the Board held public roundtable discussions to listen to the views of and obtain information from respondents to the November 30, 2007 FASB Preliminary Views, *Financial Instruments with Characteristics of Equity*.
- h. Five Board members, several staff members, and invited guests participated in the September meeting of the Financial Accounting Standards Advisory Council.
- i. Two Board members, several staff members, and an invited guest met in a closed meeting with the Investors Technical Advisory Committee in September in New York City. That Committee provided investor perspectives on a variety of topics including convergence with IFRS, the use of fair value, and improvements to Statement 140 and Interpretation 46(R).

- j. One Board member and several staff members participated in a meeting with members of the American Gas Association and the Edison Electric Institute in August. Committee members provided a briefing on the electric and gas industry and their views on how regulated entities fit in the conceptual framework, accounting for hedging activities, and the implementation of Statement 161.
- k. Two Board members, the technical director, and several staff members participated in a meeting with members of the Financial Reporting Committee of the Institute of Management Accountants in September. The Committee provided its views on convergence with IFRS, plans to integrate Codification into standards setting, and views on the Board's projects on accounting for hedging activities and disclosures of loss contingencies. Several staff members also met in a closed educational meeting with the Committee members on various projects.
- l. Four Board members and several staff members met with members of the CFA Institute's Corporate Disclosure Policy Committee in October. That Committee provided investor perspectives on international convergence, fair value, derecognition and consolidation, and contingencies, as well as an update of recent survey results and implications for standards setting. Several staff members also met in a closed educational meeting with the Committee members on various projects.
- m. Various Board members and staff participated in four field tests on distinguishing mergers from acquisitions in connection with the NFP M&A project.
- n. Three Board members, two IASB members, the technical director, an assistant director, and staff participated in the October 7, 2008 Joint Lease Accounting Working Group Meeting at the FASB offices in Norwalk to discuss a draft of the leases Discussion Paper. In attendance, either in person or via phone, were 12 working group members, which included representatives from the lessee community, the lessor community, an academic, an analyst, an auditor, and an observer from the International Organisation of Securities Commissions (IOSCO).
- o. The financial statement presentation project team is conducting a field test of the proposed presentation model in the IASB/FASB Discussion Paper, *Preliminary Views on Financial Statement Presentation*. More than 20 participants from North America, Europe, and Asia are recasting their financial statements for two years using the Boards' preliminary views as guidance.
- p. A staff member attended a meeting with the Private Company Financial Reporting Committee to discuss issues of concern to private companies including Interpretation 48, Interpretation 46(R), the conceptual framework for financial reporting, revenue recognition, subsequent events, going concern, and the potential effect on U.S. private company reporting of a movement toward IFRS for U.S. public companies.

#### INTERNATIONAL ACTIVITIES

- a. The FASB and the IASB held a semiannual joint meeting in Norwalk. The Boards' discussions included various technical issues on the Boards' joint projects on conceptual framework—elements; consolidations; derecognition; fair value

measurement; financial instruments—complexity; emissions trading; and liabilities. The Boards agreed to hold a third face-to-face joint meeting in July of each year, to be held in London, and to reserve several hours monthly for a joint video-teleconference meeting at which the Boards would discuss and resolve differences arising in their separate meetings. The Boards also agreed to establish a strategy group comprising members and staff of both Boards that would meet monthly to discuss significant issues of mutual interest.

- b. The chairman and a Board member attended the World Standard Setters meeting in London.
- c. A Board member attended the Consolidated Financial Statements roundtable meeting in London.
- d. A Board member attended the IFRS Conference in Beijing.
- e. A Board member met with the Chinese Accounting Standards Board in China.
- f. A staff member participated in the IASB Expert Advisory Panel—Measuring and disclosing the fair value of financial instruments in markets that are no longer active in London.
- g. The FASB and IASB directors continued their ongoing series of weekly conference calls to discuss technical and administrative matters.

#### OTHER ACTIVITIES

- a. The following professional development sessions were presented to the Board and staff:
  - 1. Terrell Blodgett, the Mike Hogg Professor Emeritus in Urban Management at the Lyndon B. Johnson School of Public Affairs, University of Texas at Austin, discussed how city managers use financial and performance information. Professor Blodgett’s talk was based upon his years of experience in public administration, as a city manager, and as a writer.
  - 2. Marc Siegel, formerly of RiskMetrics and a recently appointed Board member, educated the staff on examples of manipulation of the metrics that are most important to shareholders. As investors and analysts have little time to dig deeply into each company in which they invest, they often times focus on a subset of key performance indicators to ascertain the operating health of a business. They then use the historically provided information to create forward estimates and models to value the companies. This seminar used case examples to note how metrics such as revenues, margins, cash flows, and non-GAAP operational metrics might be flattered through aggressive techniques. Participants learned tools to identify these techniques through financial analysis.

3. Lin Zhu, International Fellow from the Accounting Regulatory Department, Ministry of Finance, P.R. China, gave an overview of the Chinese accounting profession and its regulation. The presentation highlighted the Chinese accounting standards and its international convergence.
4. Chandy Smith, FASB Senior Technical Advisor, and Paul Glotzer, FASB Project Manager, discussed the process for collecting and analyzing input from users of financial statements for use in the standard-setting process. Users' informational needs vary widely depending upon the users' objective and approach to analyzing financial statements. Understanding these differences is critical to identifying the right users, communicating with them effectively, and analyzing their input appropriately. They discussed ways to find high-quality sources of input and how to engage users in the standard-setting process. They walked through basic steps in equity and credit analysis with a focus on some of the key information users evaluate when making investment decisions.
5. Randall Sogoloff and DJ Gannon, Partners, Deloitte and Touche, LLP, enhanced participants' understanding of important accounting issues and developments pertaining to the development and use of International Financial Reporting Standards (IFRS), the SEC's proposed IFRS Roadmap, and the SEC's proposed rule changes. The objective of this session also was to understand the models in IAS 27, *Consolidated and Separate Financial Statements*, IAS 28, *Investments in Associates*, and IAS 31, *Interests in Joint Ventures*. These models were applied to case studies and examples. The session helped participants understand the key differences between the IFRS and U.S. generally accepted accounting principles (GAAP) models in these areas.
6. Patricia Donoghue and Christopher Roberge, FASB Project Managers, provided an overview of the changes to provisions of Statement 140 and Interpretation 46(R), as well as an overview of the proposed FSP.

#### EXTERNAL CONFERENCES

1. Some staff attended KPMG's 20th Annual Insurance Industry Conference in New York.

#### **ITEM 2: ADMINISTRATIVE AND STRATEGIC ACTIVITIES**

- a. All Board members attended the August FAF Trustees meeting.

#### **ITEM 3: WASHINGTON ACTIVITIES**

- a. A Board member testified before the Subcommittee on Securities, Insurance and Investment of the Senate Committee on Banking, Housing, and Urban Affairs on Transparency in Accounting: Proposed Changes to Accounting for Off-Balance Sheet Entities.

- b. The chairman conferred with Congressional staff members on international convergence, major project activities, and other technical activities of the Board.
- c. Staff members met in separate meetings with various staff of Congressional committees and representatives of Washington, DC-based trade associations to discuss the role of the FASB, various current projects, and other matters of mutual interest.
- d. The chairman participated as an official observer to the U.S. Department of the Treasury's Advisory Committee on the Auditing Profession. Board members are also acting as observers to the subcommittees of this committee.
- e. The chairman, other Board members, and senior staff members held a number of meetings and discussions with the U.S. Department of the Treasury and financial institution regulators about accounting and reporting issues emanating from the credit crisis.
- f. Staff members conferred with officials of the U.S. Department of the Treasury regarding implementation of the Emergency Economic Stabilization Act of 2008.
- g. The chairman, two Board members, the technical director, director of planning and support, and a staff member held quarterly meetings with the SEC and the PCAOB to discuss current FASB activities and other matters of mutual interest.

#### **ITEM 4: SPEECHES DELIVERED**

Principal platforms addressed by the Board and staff members during the August 2008 through October 2008 period include:

- AICPA 2008 Annual Credit Union Conference
- AICPA 2008 Annual Health Care Industry Conference
- AICPA FMD National Conference on the Securities Industry
- AICPA National Governmental and Not-for-Profit Training Program
- Association of Financial Professionals
- Baylor University Hankmer School of Business
- Center for Corporate Reporting & Governance – Cal State Fullerton
- CT State Society of CPAs, Financial Executives Cabinet
- ELFA Lease and Finance Accountants Conference
- Executive Enterprise Institute (EEI)
- Financial Executives International (FEI) New York Chapter
- Florida Gulf Coast Accounting & Tax Conference
- Florida Institute of Certified Public Accountants (Ft. Lauderdale)
- Florida Institute of Certified Public Accountants (Gainesville)
- Harvard Business School
- IAS/International Accounting Section Mini Plenary Conference
- Illinois CPA Society
- Institutional Investors Annual Corporate Financial Executive Roundtable
- KPMG/JAAF 2008 Conference, NYU Stern School of Business

- Michigan Accountancy Foundation Annual Symposium
- MSNA Audit & Accounting Conference
- NACACT Annual Conference
- National Association of State Boards of Accountancy (NASBA)
- NYSSSA Annual Conference
- Pensions & Investments Money Management newspaper
- PriceWaterhouseCoopers Structured Finance Conference
- PriceWaterhouseCoopers Symposium
- Schiff Consulting – Women in Finance Leadership Conference
- SEC Institute
- The Conference Board – Council of Chief Legal Officers
- Thomson Reuters Webcast
- University of Iowa, National Speaker Series RSM McGladrey Institute for Accounting Education and Research
- University Foundation Financial Officers Group
- University of California 19<sup>th</sup> Annual Conference on Financial Reporting
- University of Florida Accounting Conference
- University of Tennessee

#### **ITEM 5: ADDITIONAL COMMUNICATIONS ACTIVITIES**

- a. The FASB Communications Department issued the following press releases:
  1. FASB Issues Staff Position FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* (8/6/08)
  2. FASB Issues Revised Exposure Draft on *Earnings per Share* (8/7/08)
  3. Business Combinations Topic Released onto the *FASB Accounting Standards Codification*<sup>™</sup> for the Verification Phase (Media Advisory, 8/21/08)
  4. Update: Forthcoming Issuance of Exposure Drafts to Amend Statement 140 and Interpretation 46(R) (Media Advisory, 9/3/08)
  5. IASB and FASB Publish Update to 2006 Memorandum of Understanding (9/11/08)
  6. FASB Issues FASB Staff Position (FSP) No. 133-1 and FIN 45-4, *Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161* (9/12/08)
  7. FASB Issues Exposure Drafts to Amend Statement 140 and Interpretation 46(R) (9/15/08)
  8. FASB Chairman Robert Herz Delivers Insights About Current Financial Crisis in Speech to Diverse Group of Executives (Media Advisory, 9/18/08)
  9. Insurance Industry Topic Released onto the *FASB Accounting Standards Codification*<sup>™</sup> for the Verification Phase (Media Advisory, 9/19/08)
  10. FASB Proposes Improvements to Reporting of a Discontinued Operation (9/25/08)
  11. Financial Accounting Foundation Appoints Marc A. Siegel to the Financial Accounting Standards Board (9/26/08)

12. SEC Office of the Chief Accountant and FASB Staff Clarifications on Fair Value Accounting (9/30/08)
  13. Change in agenda for FASB Wednesday, Oct. 1 Board meeting (Media Advisory, 9/30/08)
  14. FASB Issues Exposure Drafts on *Going Concern* and *Subsequent Events* (10/9/08)
  15. IASB and FASB Launch Consultation on Proposed Enhancements to the Presentation of Financial Statements (Joint Release with IASB, 10/16/08)
  16. IASB and FASB Create Advisory Group to Review Reporting Issues Related to Credit Crisis (Joint Release with IASB, 10/16/08)
  17. IASB and FASB Commit to a Global Approach to Enhance Market Confidence (Joint Release with IASB, 10/20/08).
- b. The department distributed the *FASB Report* in August 2008. Articles focused on the June forum on high-quality international accounting standards and XBRL.
  - c. The department worked with the Washington team about the credit crisis and related political activities relating to accounting standards.
  - d. The department handled a published RHH response to an op-ed in the WSJ about proposed accounting changes in lawsuit disclosures.
  - e. The department handled responses to a massive nationwide blitz of media calls about fair value guidance during the credit crisis and the faltering stability of Fannie/Freddie. The department also educated reporters and participated in interviews on various other issues ranging from convergence to XBRL. They included an XBRL interview with Emily Pickrell of Thomson Reuters; credit derivatives (Pickrell, Thomson Reuters; Steve Burkholder, BNA); SEC IFRS Road Map (Nicholas Moody, International Accounting Bulletin); Codification (Professor Bill Thomas); FSP FAS 133-1 (Marine Cole, Financial week); loss contingencies (Barry Burr, Pensions and Investments; Glenn Cheney, Accounting Today); earnings per share (Marie Leone of CFO.com, Tammy Whitehouse of Compliance Week); FSP FAS 144-d (Cheney, Accounting Today); financial statement presentation project (Cheney, Accounting Today).
  - f. The department hosted preliminary meetings with Peppercom, a strategic communications firm hired to measure the effectiveness of FASB public relations programs.
  - g. Preliminary meetings were also held to plan the creation of the 2008 FAF Annual Report. Meetings included discussions with David Dann, who will be drafting the Chair's annual report letter, as well as representatives of design firm Inergy.
  - h. The department worked with FASB project manager Paul Glotzer and Mitchell Slepian and Robert Durak of AICPA to create a press kit for PCFRC.

- i. The department worked with FASB senior project manager Kim Petrone, and Mark Byatt, Sonja Horn, and Denise Gomez of the IASB, to create talking points, Q and As, and a “snapshot” document in anticipation of the October release of the financial statement presentation discussion paper.
- j. The department worked with Tom Hoey, Larry Smith, and Ron Guerrette to create a press release and informational document announcing that the FASB Codification is expected to go “live” on July 1, 2009.
- k. The department hosted meetings with Dr. Masahiro Makita of Ritsumeikan Asia Pacific University, who is researching international convergence of accounting standards and the FASB’s financial statement presentation project.
- l. The department coordinated the FASB’s presence at the Greater Norwalk Chamber of Commerce Congressional Debate luncheon in October.

#### **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 planning & support 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:
  - Final FSP FAS 133-1 and FIN 45-4, *Disclosures about Credit Derivatives: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45*
  - Final FSP FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*
  - Proposed Revised Statement, *Accounting for Transfers of Financial Assets*
  - Proposed Statement, *Amendments to FASB Interpretation No. 46(R)*
  - Proposed Statement, *Going Concern*
  - Proposed Statement, *Subsequent Events*
  - Proposed FSP FAS 140-e and FIN 46(R)-e, *Disclosures about Transfers of Financial Assets and Interests in Variable Interest Entities*
  - Proposed FSP FAS 144-d, *Amending the Criteria for Reporting a Discontinued Operations*
  - Discussion Paper, *Preliminary Views on Revenue Recognition in Contracts with Customers*.
- e. The FASB staff received a GASB draft for review on GASB Concepts Statement No. 5, *Service Efforts and Accomplishments Reporting*.