

REPORT OF THE CHAIRMAN OF THE FASB
TO THE FINANCIAL ACCOUNTING FOUNDATION
November 1, 2009 through December 31, 2009

ITEM 1: TECHNICAL ACTIVITIES

BOARD AND STAFF ACTIVITIES

a. Final Standards Issued:

The following Accounting Standards Updates were issued in order to codify Statements 166 and 167 that were issued earlier in 2009:

1. Accounting Standards Update No. 2009-16, *Transfers and Servicing (Topic 860): Accounting for Transfers of Financial Assets* (issued December 2009).
2. Accounting Standards Update No. 2009-17, *Consolidations (Topic 810): Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities* (issued December 2009).

b. Exposure Drafts Issued:

1. Proposed Accounting Standards Update, *Consolidation (Topic 810): Amendments to Statement 167 for Certain Investment Funds*. Comments were requested by 1/16/10.
2. Proposed Accounting Standards Update, *Subsequent Events (Topic 855): Amendments to Certain Recognition and Disclosure Requirements*. Comments were requested by 1/28/10.
3. Proposed Accounting Standards Update, *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-for-exposure of the FASB Emerging Issues Task Force). Comments are requested by 2/12/10.
4. Proposed 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-for-exposure of the FASB Emerging Issues Task Force). Comments are requested by 2/12/10.
5. Proposed Accounting Standards Update, *Financial Services—Insurance (Topic 944): Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts* (a consensus-for-exposure of the FASB Emerging Issues Task Force). Comments are requested by 2/12/10.
6. Proposed Accounting Standards Update, *Entertainment—Casinos (Topic 924): Casino Base Jackpot Liabilities* (a consensus-for-exposure of the FASB Emerging Issues Task Force). Comments are requested by 2/12/10.

- c. Projects Added to the Technical Agenda:
 - 1. Accounting and reporting for subsequent events (FASB agenda).
 - 2. The impact of the consolidations guidance in FASB Statement No. 167, *Amendments to FASB Interpretation 46(R)*, on the investment management industry (FASB agenda).
 - 3. EITF Issue No. 09-F, "Casino Base Jackpot Liabilities"(an Exposure Draft was issued in December).
 - 4. EITF Issue No. 09-G, "Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts" (an Exposure Draft was issued in December).
 - 5. EITF Issue No. 09-I, "Effect of a Loan Modification When the Loan Is Part of a Pool That Is Accounted for as a Single Asset" (an Exposure Draft was issued in December).
 - 6. EITF Issue No. 09-J, "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" (an Exposure Draft was issued in December).
 - 7. EITF Issue No. 09-H, "Accounting by Healthcare Organizations (Presentation of Insurance Claims and Related Insurance Recoveries; Revenue Recognition; and Measuring Charity Care for Disclosure)."

- d. Projects Removed from the Technical Agenda:
 - 1. EITF Issue No. 09-2, "Research and Development Assets Acquired and Contingent Consideration Issued In an Asset Acquisition."
 - 2. Recoveries of Other than Temporary Impairments. The chairman removed this as a separate project from the agenda because the issue is now being considered within the broader joint Financial Instruments project.

- e. Agenda Requests Considered but Declined by the Chairman:
 - 1. Accounting for Loss Contracts by Health Care Organizations (suggestion for the EITF agenda)
 - 2. Accounting for Medical Malpractice Claims by Health Care Organizations (suggestion for the EITF agenda)
 - 3. Accounting for Service-Related Contracts with the Federal Government (suggestion for the EITF agenda)

- f. Agenda Requests under Evaluation:
 - 1. Whether to improve disclosures that entities provide about their participation in a multiemployer plan (pending further staff research and outreach regarding the practicability of the proposed disclosures)
 - 2. How a health care organization should account for the contribution of a long-lived asset (pending discussion with the FASB Not-for-Profit Advisory Committee)

- g. Emerging Issues Task Force. All FASB members participated in the November 19, 2009 EITF meeting. The EITF reached consensus on several topics that were ratified by the Board and published as Exposure Drafts (refer to item (b.) above).

- h. Due Process—Meetings of FASB Standing Advisory Groups
 - 1. Financial Accounting Standards Advisory Council: Four Board members, several staff members, and invited guests participated in the December meeting of the Financial Accounting Standards Advisory Council. Council members discussed a variety of topics including FASB’s investor outreach, FASAC survey results, future financial reporting for nonpublic entities, financial instruments with characteristics of equity, financial instruments, and consolidations.
 - 2. Investors Technical Advisory Committee: Two Board members and several staff members met with the Investors Technical Advisory Committee in November in a closed meeting to discuss financial instruments, fair value, financial instruments with characteristics of equity, financial statement presentation, and FASB initiatives on investor education and communication.
 - 3. Small Business Advisory Committee: Four Board members, several staff members, and invited guests participated in the December joint meeting of the Small Business Advisory Committee. Committee members discussed a variety of topics including future financial reporting for nonpublic entities, disclosure framework, leases, financial instruments, and financial instruments with characteristics of equity.
 - 4. Private Company Financial Reporting Committee: The Board and several staff members attended a meeting of the Private Company Financial Reporting Committee (PCFRC). A portion of that meeting was held in conjunction with the Small Business Advisory Committee. The meeting discussion included an evaluation of the PCFRC’s performance, fair value accounting, and the volume of new standards and exposure documents being issued. In addition, the PCFRC discussed the various FASB projects including accounting for financial instruments, disclosure framework, financial instruments with characteristics of equity, financial statement presentation, revenue recognition, and lease accounting.
- i. Due Process—Other Consultations with Constituents
 - 1. A Board member and staff met with representatives from Elliott Associates L.P. regarding the insurance contracts project.
 - 2. Staff members met with a representative from Nippon Life about the insurance contracts project.
 - 3. Staff met with a representative of Financial Accounting Standards Research Initiative about potential projects that may benefit from academic research.
 - 4. A Board member and staff participated on a conference call with representatives of the Corporate Reporting Users Forum (CRUF).

COLLABORATION WITH THE INTERNATIONAL ACCOUNTING STANDARDS BOARD

- a. The FASB had multi-day joint Board meetings with the IASB in November and December.
- b. FASB staff participated in IASB Board meetings and discussed various technical issues on the Boards' joint projects on insurance contracts; conceptual framework; financial instruments with characteristics of equity; revenue recognition; discontinued operations; financial statement presentation; leases; emissions trading schemes; fair value measurements; financial instruments hedge accounting and derecognition.
- 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, and revenue recognition.
- e. The financial statement presentation team had meetings with preparers to inquire about costs and operability of the proposed presentation model, mostly focusing on the direct method statement of cash flow. The staff has also reached out to both preparers and users of financial institution financial statements to seek specific feedback on the direct method statement of cash flow.
- f. The chairman participated in the IASB's fair value measurements roundtable meeting in London.
- g. Two Board members participated in the IASB's fair value measurements roundtable meeting in Norwalk.
- h. 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.
- i. A Board member participated in a meeting of the Expert Advisory Panel conference in London, to discuss the accounting for the impairment of financial assets.
- j. A staff member participated in the November meeting of the IASB's Standards Advisory Committee to provide an overview of the FASB's disclosure framework project.

OTHER INTERNATIONAL ACTIVITIES

- a. The chairman participated in a financial reporting conference in London.
- b. The chairman, the FASAC chairman, and several staff members participated in the December meeting of the Financial Crisis Advisory Group in London. Committee members discussed the FASB's and IASB's responses to the recommendations in the

FCAG's July report, the Boards' progress on the financial instruments and other MOU projects (especially consolidation and derecognition), and other developments in the global regulatory environment. The FCAG subsequently issued a letter to the G-20 leaders on January 4th.

PROFESSIONAL DEVELOPMENT

- a. The following professional development sessions were presented to the Board and staff:
 1. Bill Reimert, Fellow, Society of Actuaries, 1973, Chartered Financial Analyst Charterholder, 1997. Participants learned significant features about the relationship between actuaries and public employee retirement systems, including the scope of services provided, the history of the relationship, what an "actuarial accrued liability" represents, selection of actuarial assumptions, and the purpose of an actuarial valuation.
 2. Dean Mead, GASB Research Manager. One of the greatest threats to obtaining meaningful data through research questionnaires and interviews is asking bad questions in the first place. This session explored how to write questions for standard-setting and administrative research. Topics included types of questions and their uses, common pitfalls and their unintended consequences, and methods for improving question quality.
 3. Dr. Mark Lang, Thomas W. Hudson Jr/Deloitte and Touche Distinguished Professor of Accounting, Kenan-Flagler Business School, University of North Carolina at Chapel Hill. The session covered the research evidence linking transparency to valuation, with a particular focus on the role of liquidity. The discussion began with an overview of various paths through which increased transparency could potentially affect valuation, followed by a discussion of the paper, "Transparency, Liquidity, and Valuation: International Evidence," which explores the links between transparency, liquidity, cost of capital, and valuation in an international setting. The session concluded with a discussion of recent evidence on the particular importance of transparency during crisis periods.
 4. Michael Cain, Senior Executive Vice President, Frost Bank; Mary Ann Lawrence, Senior Vice President, Key Corporation; David Lomax, Area Underwriting Manager, Liberty Mutual Surety; James Stevenson, Chief Financial Officer, ABS Capital Partners. The speakers gave an overview of how they use private company financial statements for making decisions. They discussed what information they consider necessary, what information they consider unnecessary, and the reasons why. The objective of the presentation was to illustrate the differences in users' needs when analyzing private company financial statements versus public company financial statements.
 5. Dr. Paul Zarowin, Professor of Accounting and Charlotte Lindner MacDowell Faculty Fellow, Stern School of Business, New York University. This session provided an overview of the extensive academic literature on earnings

management. The presentation began with a discussion of what is meant by “earnings management” and the different types of earnings management that can occur. After that, the discussion turned to the evidence on the motivations for and the consequences of earnings management. Why do firms manage earnings and what effect does this have on shareholders and other interested parties?

b. Professional staff attended the following external conferences:

1. XBRL US Conference in New York
2. AICPA-SEC Conference in Washington DC and New York
3. FEI Conference in New York
4. FASB/Accounting Faculty conference in Connecticut.

ITEM 2: ADMINISTRATIVE AND STRATEGIC ACTIVITIES

a. In November, the Director of Planning and Support and a Board member met with the Foundation’s Standards Setting Process Oversight Advisory Committee to discuss the proposed update of the FASB Rules of Procedure. The Director of Planning and Support also provided a similar overview to the full Board of Trustees at its January meeting.

ITEM 3: WASHINGTON ACTIVITIES

- a. The FAF chairman, FAF president, and staff met with the chairman of the Federal Reserve, chairman of the FDIC, and the Comptroller of the Currency to discuss convergence, decoupling, and fair value.
- b. Staff members met in person and/or by phone with majority and minority staff of the Senate Banking Committee, and Senator Johnson’s, Senator Corker’s, and Senator Enzi’s staff to provide briefings on various technical projects in conjunction with Regulatory Reform legislation.
- c. Staff 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 March.
- d. Staff met with senior staff of the Credit Union National Association (CUNA) in preparation for a February 25 speech by the FASB chairman.

ITEM 4: SPEECHES DELIVERED

Principal platforms addressed by the Board and staff members during the November 2009 through December 2009 period include:

- 2009 SEC and PCAOB Conference
- Accounting for Derivatives Conference
- AICPA (NFP Financial Executive Forum)
- AICPA Annual Employee Benefits Plans Accounting Conference

- AICPA/SEC Conference on SEC and PCAOB Reporting Developments
- Council on Foreign Relations
- FEI Current Financial Reporting Issues Conference
- Geneva Association London Insurance and Finance Seminar
- ICGN - International Corporate Governance Network
- Illinois CPA Society Annual Not-for-Profit Conference
- Indiana CPA Society Annual Financial Services Conference
- Institute of International Finance Senior Accounting Group
- IMF Seminar - Restoring Financing Stability - The Legal Response
- New York University - Ross Roundtable
- NY Life Insurance Co. Actuarial Society of Greater NY Annual Meeting
- NYSSCPA IFRS Conference
- NYSSCPA Banking Conference
- Oklahoma State Univ. School of Accounting Financial Reporting Conference
- PLI's 41st Annual Institute on Securities Regulation
- Univ. of No. Texas & College of Business - Prof. Development Inst. - Dallas Area Accounting and Financial Reporting Conference
- Washington Society of CPAs (WSCPAs)

ITEM 5: ADDITIONAL COMMUNICATIONS ACTIVITIES

- a. The FASB Communications Department issued the following press releases:
 1. 11.05.09: IASB and FASB Reaffirm Commitment to Memorandum of Understanding
 2. 12.10.09: Financial Accounting Foundation Appoints New Members to the Financial Accounting Standards Advisory Council
- b. The Communications Department handled a number of press inquiries on FASB projects. Journalists we worked with included Floyd Norris of the *NY Times* on decoupling; Sabrina Wellmer of Dow Jones on the consolidations project (FASB project manager Chris Roberge interviewed); Rob Lenihan of Thomson Reuters on the subsequent events project; John Kovaleski, *Commercial Real Estate Direct*; Duncan Wood of *Risk* magazine on efforts to rewrite loan loss rules (interview with Dennis Chookaszian); Joe Radigan, Thomson Reuters, on assorted issues; Marie Leone of CFO.com on the joint financial instruments project; and Christie Smythe of *Legal 360* on the goodwill project.
- c. The department worked closely with Bob Herz and the government relations team to help craft his speech for the AICPA/SEC conference.
- d. The department updated the External Relations section of the FASB website.
- e. The FASB staff updated the "Facts about FASB" and International sections of the FASB website.
- f. The department conducted a tour for Prof. Erin Moore from Westfield and 11 of her students, who observed a portion of the FASB Board meeting. FASB Research Fellow Jeff Hales and FASB PTAs also gave them a brief address.
- g. The department conducted a tour for Prof. Kim Smith and 70 Master of Accounting students from the College of William & Mary. Jeff Hales, Tom Linsmeier, and Terri Polley were among those who addressed the group.

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:
 - Final Accounting Standards Update, *Technical Corrections to Various Topics*
 - Final Accounting Standards Update, *Equity (Topic 505): Accounting for Distributions to Shareholders with Components of Stock and Cash* (a consensus of the FASB Emerging Issues Task Force)
 - Final Accounting Standards Update, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*
 - Final Accounting Standards Update, *Extractive Industries—Oil and Gas (Topic 932): Oil and Gas Reserve Estimation and Disclosures*
 - Final Accounting Standards Update, *Consolidation (Topic 810): Accounting and Reporting for Decreases in Ownership of a Subsidiary—a Scope Clarification*
 - Proposed Accounting Standards Update, *Consolidation (Topic 810): Amendments to Statement 167 for Certain Investment Funds*
 - Proposed Accounting Standards Update, *Receivables (Topic 310): Effect of a Loan Modification When the Loan Is Accounted for under the Aggregate Pool Method in Subtopic 310-30* (a consensus of the FASB Emerging Issues Task Force)
 - Proposed Accounting Standards Update, *Financial Services—Insurance (Topic 944): Clarification of the Definition of Deferred Acquisition Costs of Insurance Entities* (a consensus of the FASB Emerging Issues Task Force)
 - Proposed Accounting Standards Update, *Entertainment—Casinos (Topic 924): Casino Base Jackpot Liabilities* (a consensus of the FASB Emerging Issues Task Force)
 - Proposed Accounting Standards Update, *Consolidation (Topic 718): Impact 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)
 - Proposed Accounting Standards Update, *Subsequent Events (Topic 855)*
 - Proposed Statement of Financial Accounting Concepts, *Conceptual Framework for Financial Reporting: The Reporting Entity*.