

REPORT OF THE CHAIRMAN OF THE FASB
TO THE FINANCIAL ACCOUNTING FOUNDATION
August 1, 2009 through October 31, 2009

ITEM 1: TECHNICAL ACTIVITIES

BOARD AND STAFF ACTIVITIES

a. Documents Issued:

1. Accounting Standards Update No. 2009-05, *Fair Value Measurements and Disclosures (Topic 820): Measuring Liabilities at Fair Value* (issued August 2009).
2. Accounting Standards Update No. 2009-06, *Income Taxes (Topic 740): Implementation Guidance on Accounting for Uncertainty in Income Taxes and Disclosure Amendments for Nonpublic Entities* (issued September 2009).
3. Accounting Standards Update No. 2009-12, *Fair Value Measurements and Disclosures (Topic 820): Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, (issued September 2009).
4. Accounting Standards Update No. 2009-13, *Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements* (a consensus of the FASB Emerging Issues Task Force) (issued October 2009).
5. Accounting Standards Update No. 2009-14, *Software (Topic 985): Certain Revenue Arrangements That Include Software Elements* (a consensus of the FASB Emerging Issues Task Force) (issued October 2009).
6. Accounting Standards Update No. 2009-15, *Accounting for Own-Share Lending Arrangements in Contemplation of Convertible Debt Issuance or Other Financing* (issued October 2009).
7. Proposed Accounting Standards Update, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*. Comments were requested by 10/12/09.
8. Proposed Accounting Standards Update, *Consolidation (Topic 810): Accounting and Reporting for Decreases in Ownership of a Subsidiary—a Scope Clarification*. Comments were requested by 9/28/09.
9. Proposed Accounting Standards Update, *Extractive Industries—Oil and Gas (Topic 932): Oil and Gas Reserve Estimation and Disclosures*. Comments were requested by 10/15/09.
10. Proposed Accounting Standards Update, *Research and Development (Topic 730): Research and Development Assets Acquired and Contingent Consideration Issued in an Asset Acquisition* (a consensus of the FASB Emerging Issues Task Force). Comments were requested by 10/26/09.
11. Proposed Accounting Standards Update, *Financial Services—Insurance (Topic 944): Consideration of an Insurer’s Accounting for Majority-Owned Investments When Ownership Is through a Separate Account* (a consensus of the FASB Emerging Issues Task Force). Comments were requested by 10/26/09.

12. Proposed Accounting Standards Update, *Equity (Topic 505) and Earnings per Share (Topic 260): Accounting for Stock Dividends, Including Distributions to Shareholders with Components of Stock and Cash* (a consensus of the FASB Emerging Issues Task Force). Comments were requested by 10/26/09.
13. Proposed Accounting Standards Update, *Derivatives and Hedging (Topic 815): Scope Exception Related to Embedded Credit Derivatives*. Comments are requested by 11/12/09.

Projects Added to the Technical Agenda:

1. *Fair Value Measurement*. At the October 2009 joint FASB/IASB meeting, the Boards agreed that their objective is to ensure that fair value has the same meaning in U.S. GAAP and IFRS. The FASB agreed to add a project to its agenda to consider comments received on the IASB's fair value measurement Exposure Draft and propose amendments to U.S. GAAP fair value measurement requirements, if necessary, to achieve that goal.
2. *Statement of Comprehensive Income*. At the October 2009 joint FASB/IASB meeting, the Boards agreed to work together to develop guidance on the preparation of a single statement of comprehensive income that is convergent but would be issued separately by the FASB and the IASB.

Projects Removed from the Technical Agenda:

1. *Treatment of Base Jackpot Liabilities of Casinos*. This project was removed from the Board's agenda and added to the EITF's agenda.
2. *Deferred Tax Assets and Liabilities on Available-for-Sale Debt Securities That Are Expected to Be Held to Recovery*. This project was removed from the Board's agenda because the issues will be addressed within the Board's project on accounting for financial instruments.

b. Emerging Issues Task Force (EITF):

1. At the September 23, 2009 Board meeting, the Board ratified the consensus-for-exposure reached by the Task Force on Issues No. 09-2, "Research and Development Assets Acquired In an Asset Acquisition," No. 09-B, "Consideration of an Insurer's Accounting for Majority-Owned Investments When Ownership Is through a Separate Account," and No. 09-E, "Accounting for Stock Dividends, Including Distributions to Shareholders with Components of Stock and Cash." The comment periods for the Proposed Accounting Standards Updates posted to the FASB website for each of those Issues ended on October 26, 2009.
2. At the September 23, 2009 Board meeting, the Board ratified the consensus reached by the Task Force on Issues No. 08-1, "Revenue Arrangements with Multiple Deliverables," and No. 09-3, "Certain Revenue Arrangements That Include Software Elements." Accounting Standards Updates were issued for both of those Issues, and their related Topics were updated in the *FASB Accounting Standards Codification*TM in October (see Documents Issued, above).
3. Three Board members participated in the September EITF meeting.

- c. Financial Accounting Standards Advisory Council: Five Board members and several staff members participated in the October meeting of the Financial Accounting Standards Advisory Council. Council members discussed the broad topic of the financial statements of the future. The discussion included specific topics within the joint FASB-IASB project on financial statement presentation, the FASB agenda project on disclosure framework, and the FASB-IASB agenda project on accounting for financial instruments.

- d. Due Process—Consultation with Constituents
 - 1. One Board member and several staff members met with the Investors Technical Advisory Committee in September to discuss a variety of topics, including financial instruments and improving disclosures about fair value measurements.
 - 2. Two Board members, the technical director, and several staff members met with members of the American Gas Association and Edison Electric Institute to discuss trends and changes affecting the electric and gas industries, emission trading schemes, improving disclosures about fair value measurements, and accounting for financial instruments.
 - 3. The Board and several staff members met with the AICPA Private Companies Practice Section Technical Issues Committee (TIC). TIC discussed the future of private company standard setting, fair value measurement, loan loss disclosures, accounting for financial instruments, leases, revenue recognition, and the disclosure framework project.
 - 4. The technical director, the IASB research director, and several FASB and IASB staff members participated in a meeting with representatives from the International Credit Insurance and Surety Association (ICISA). Representatives presented a briefing about trade credit insurance and discussed their views about the current and future accounting for trade credit insurance arrangements.
 - 5. A staff member participated in a roundtable discussion for the Financial Accounting Standards Research Initiative about private company accounting, IFRS for small and medium-sized entities, and accounting for uncertainty in income taxes.
 - 6. The President of the FAF and an FASB staff member attended a meeting of the PCFRC. The committee discussed issues relating to the application of U.S. GAAP by private companies. The committee also discussed the future of private company standard setting; specifically, whether it was appropriate to issue a separate set of accounting standards for private companies instead of continuing with the current practice of making exceptions for private companies within the Codification. Other topics discussed at the meeting included financial instruments with characteristics of equity, the disclosure framework project, lease accounting, and improving disclosures about fair value measurement.

7. The FASB established a Not-for-Profit Advisory Committee to help advise the Board on accounting and reporting matters related to the sector.
 8. Staff members met with representatives of Nippon Life to discuss the insurance contracts and the accounting for financial instruments project.
 9. A staff member participated in a panel discussion about the insurance contracts project at the Casualty Actuary Society meeting.
 10. Staff members met with representatives of the American Council of Life Insurers regarding the insurance contracts project.
 11. A staff member attended the fall AICPA Council meeting, which featured roundtable discussions on the future of private company and not-for-profit entity financial reporting.
- e. Collaboration with the International Accounting Standards Board
1. The FASB and the IASB held a face-to-face joint meeting in Norwalk. At this successful meeting:
 - a. The Boards' reaffirmed their commitment to the improvement and convergence of U.S. GAAP and internationally standards, committing to redoubling their efforts to complete the major projects on the 2006 Memorandum of Understanding (MoU) as updated in 2008.
 - b. The Boards agreed on strategies and plans for completing those MoU projects, which it agreed to publish in a joint Statement to be issued in early November. The Boards agreed to improve transparency and accountability by publishing regular updates of those plans.
 - c. The Boards agreed to several process changes aimed at enhancing their efficiency and effectiveness, including meeting jointly on a monthly basis.
 - d. They reached agreement on a wide range of technical issues on the Boards' joint projects on insurance contracts; revenue recognition; leases; financial instruments with characteristics of liabilities; financial instruments; discontinued operations; income taxes; and financial statement presentation.
 2. 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 liabilities; revenue recognition; discontinued operations; financial statement presentation; leases; post-employment benefits; financial instruments; derecognition; and consolidations.
 3. Two Board members participated by video conference in six extra IASB Board meetings on financial instruments.

4. FASB Board members participated in Board Advisory meetings on revenue recognition; financial instruments; and insurance contracts by telephone and video conferences.
5. 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.
6. A Board member participated in the IASB's Financial Instruments roundtable meetings in Tokyo, London, and Norwalk.
7. Two Board members participated in the Leases Working Group meeting in London.
8. The chairman attended the IASCF Trustees meeting in New York.
9. Two Board members participated by telephone in a joint FASB/IASB call with financial analysts from the Capital Group.
10. The FASB and IASB directors continued their ongoing series of weekly conference calls to discuss technical and administrative matters.
11. FASB and IASB staff kicked off limited field testing for the insurance contracts project.

OTHER INTERNATIONAL ACTIVITIES

- a. The chairman, a Board member, and the research director participated in the World Standard-Setters meeting in London.
- b. A Board member and the research director participated in the National Standard-Setters meeting in Frankfurt.
- c. The chairman participated in the IASCF-PwC Meet the Experts conference in London.
- d. The chairman participated in the Financial Reporting Group meeting in London.
- e. The chairman, a Board member, and two directors met in closed meetings with members of the Accounting Standards Board of Japan in Norwalk.
- f. The chairman spoke at an IFRS Conference in New York.
- g. Educational Initiatives—Webcast Series:
 1. *August 24, 2009—Amendments to the Accounting for Securitizations and Special-Purpose Entities*—Panelists Tom Linsmeier, Patricia Donoghue, and Christopher Roberge discussed the changes in the ways entities will account for securitizations and special-purpose entities. Statements No. 166, *Accounting for Transfers of*

Financial Assets, and No. 167, Amendments to FASB Interpretation No. 46(R), were issued in June 2009 and will be effective in 2010.

2. *September 18, 2009 - Not-for-Profit Entities: Mergers and Acquisitions* - Panelists Martha Garner, Cheryl R. Olson, and Ron Bossio discussed the recently issued Statement on mergers and acquisitions by not-for-profit entities. Moderated by FASB member Larry Smith, the panelists discussed the key provisions of the Statement and provide insights from their experiences for those entities that are contemplating or currently negotiating a merger or acquisition. Martha Garner is a Managing Director in the national office of PricewaterhouseCoopers, Cheryl R. Olson is Director, Council Financial Consulting at Girl Scouts of the USA, and Ron Bossio is a Senior Project Manager with the FASB.
3. *October 15, 2009 - The Investor: An Important Voice in Standard-Setting* - Panelists Marc Siegel, Jeff Brickman, and Chandy Smith discussed the importance of investor input to the FASB in its mission to develop high-quality accounting and reporting standards for the United States. Moderated by Financial Accounting Foundation Director of Communications Neal McGarity, this session provided an overview of the kinds of investor input needed by the FASB; how the staff go about obtaining the input and how it is used during the Board's decision-making process; ways investors can learn about and provide comment on FASB activities; and current FASB projects that are significant to investors. Marc Siegel is a member of the FASB; Jeff Brickman and Chandy Smith are the FASB Investor Liaisons.

PROFESSIONAL DEVELOPMENT

- a. The following professional development sessions were presented to the Board and staff:
 1. Marc Siegel, Incoming FASB Board Member Roundtable. At this roundtable, Mr. Siegel discussed his perception of the FASB's goals and challenges.
 2. Jeffrey Hales, FASB Academic Research Fellow. This presentation provided an overview of the ways in which the academic research provided by the FASB's research fellows contributes to the standard-setting process.
 3. Terri Polley, President, Financial Accounting Foundation, and Daniel F.C. Crowley, Partner, K&L Gates (by phone). In this session, they reviewed the current activities of government relations regarding the FAF and its Boards and Councils, including a discussion of issues in Washington, D.C. and around the country, as well as approaches to those issues.
 4. Debby Monroe, Manager Codification; Tom Hoey, Director of FASB Codification and XBRL; Scott Logan, Research Systems and Website Development; Susan Miller, Supervisor Publications Production; Jim Green, ASU Reviewer; Mary Huydic, Editor; and Vickie Lusniak, Assistant Project Manager. This presentation provided an overview of the FASB Codification and the process for updating its contents for amendments to the Codification.
- b. Professional staff attended the following external conferences

1. KPMG's 20th Annual Insurance Industry Conference in New York
2. The AAA Annual Meeting in New York.

ITEM 2: ADMINISTRATIVE AND STRATEGIC ACTIVITIES

- a. All Board members attended the August FAF Trustees meeting.
- b. On August 1, the FASB published a response by the FASB/FAF to the Recommendations of the SEC's Advisory Committee on Improvements to Financial Reporting.
- c. The FASB chairman submitted a draft budget for 2010 to the FAF for review and approval; the FASB chairman and the P & S director participated in meetings of the FAF Finance Committee to discuss the draft budget.

ITEM 3: WASHINGTON ACTIVITIES

- a. Staff members met in person and by phone with Congressional staff to provide briefings on various technical agenda projects.
- b. The chairman, the technical director, and staff along with the chairman and president of the FAF met twice with officials from the Treasury Department to discuss international convergence of accounting standards.
- c. The chairman, a Board member, the technical director, 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 2009 through October 2009 period include:

- 2009 Midwest Financial Reporting Symposium
- Accounting CPE Network (ACPEN)
- Associated General Contractors—Construction Financial Management Association (AGC/CFMA)
- AICPA Annual Healthcare Industry Conference
- AICPA GAQC Member Conference Call
- AICPA National Banks & Savings Institutions Conference
- AICPA National Conference on Credit Unions
- AICPA National Govt. & Not-for-Profit Training Program
- American Accounting Association Annual Meeting
- AICPA/FMD National Conference on Securities Industry
- California Society of CPAs Education Foundation
- Casualty Actuary Society

- Center for Business Intelligence Pharmaceutical/Biotechnology Conference
- Council of Institutional Investors
- DFK International
- Deloitte Engineering & Construction Roundtable
- Equipment Leasing & Finance Assoc. (ELFA) Conference
- Ernst & Young IFRS Leadership Network Webcast
- Financial Executives International, Charlotte Chapter
- IASB Intl. Financial Reporting Standards in North America 2009
- Intl. Financial Reporting Standards (IFRS) Conference Sponsored by the AICPA and IASCF
- Japan Society
- Michigan Accounting Foundation
- Midwest Financial Reporting Symposium
- Missouri Society of CPAs Annual Not-for-Profit Conference
- National SEC Update Conference
- National Assoc. of Regulatory Utility Commissioners
- National Society of Accountants for Cooperatives (NSAC)
- New York Society of CPAs–SEC/FASB Conference
- New York Society of Security Analysts (NYSSA)
- NYSS CPAs SEC Conference
- Oak Hill Partners CFO Conference
- SEC Financial Reporting Conference—Center for Corporate Reporting & Governance
- University of Florida Accounting Conference (FICPA)
- University of Texas McCombs School of Business–Distinguished Speaker Lyceum
- University of Virginia–McIntire School of Commerce

ITEM 5: ADDITIONAL COMMUNICATIONS ACTIVITIES

- a. The FASB Communications Department issued the following press releases:
 1. 8.28.09: FASB Issues Exposure Draft for Proposed Accounting Standards Update, *Improving Disclosures about Fair Value Measurements*
 2. 10.01.09: Clarification of the effective date interaction between Topic 740 relating to accounting for uncertainty in income taxes (formerly FIN 48) and the guidance in ASU 2009-06, Income Taxes (Topic 740)—*Implementation Guidance on Accounting for Uncertainty in Income Taxes and Disclosure Amendments for Nonpublic Entities*
 3. 10.05.09: *FASB Accounting Standards Codification*TM Now Provides Users with Information about Related XBRL Elements
 4. 10.08.09: FASB to Host October 15 Webcast on *The Investor: An Important Voice in Standard Setting*
 5. 10.22.09: FASB Establishes Not-for-Profit Advisory Committee
 6. 10.22.09: Accounting Standards Board of Japan Meets with Financial Accounting Standards Board to Discuss Global Convergence.

- b. The Communications Department worked with the Dilenschneider Group to develop a public relations plan and messaging designed to communicate key aspects of the movement toward international convergence of accounting standards.
- c. The Communications Department continued to respond to questions and interview requests from major daily and trade media regarding a variety of standard-setting issues. Highlights included an interview with Helen Thomas of the Financial Times for a story about rules regarding financial instrument disclosures; responding to general information requests from Ian Katz of Bloomberg, Binyamin Appelbaum of Washington Post, Rich Lee of the Stamford Advocate, Hugo Pixon with BreakingNews.com, and John Hintze of Securities Industries News; CFO.com interview on proposed ASU regarding fair value measurement disclosures; working with BNA Publications publisher Susan Webster to clear up misinformation contained in story about private company adoption of FIN 48; responding to numerous press calls on the Board's ratification of EITF Issue 09-3 and revenue recognition; speaking with Marie Leone of CFO.com regarding 10/23 Board meeting; and an interview for Mike Cohn of WebCPA for a story on the FASB's new Not-for-Profit Advisory Committee.
- d. The Communications Department selected the Norwalk-based Wyant-Simboli Group as the firm that will produce its 2009 annual report.
- e. In October, the Communications Department coordinated interviews with Board members and Dale Flesher, a University of Mississippi academic commissioned by the FAF to write a history of the FASB. Professor Flesher interviewed each Board member as part of his research for the project.
- f. Professor Muckell and 27 of his students from Nyack College visited the FASB to observe a portion of the 10/7 Board meeting
- g. Twelve Master of Accounting students from the University of Rhode Island, along with their professor (Professor Beckman), observed three segments of the FASB/IASB joint meeting on 10/26.

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 and GASB staff collaborated on a proposed update of their respective Rules of Procedures to be discussed with the FAF Trustees in November.
- e. The FASB and GASB staff collaborated on a proposed revision to their post-implementation review procedures that was presented to the Foundation's Standard-Setting Process Oversight Committee in September.
- d. The FASB staff distributed the following drafts to the GASB for review:

- Final Accounting Standards Update, *Income Taxes (Topic 740): Implementation Guidance on Accounting for Uncertainty in Income Taxes and Disclosure Amendments for Nonpublic Entities*
- Final Accounting Standards Update, *Fair Value Measurements and Disclosures (Topic 820): Investments in Certain Entities That Calculate Net Asset Value per Share*
- Final Accounting Standards Update, *Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements* (a consensus of the FASB Emerging Issues Task Force)
- Final Accounting Standards Update, *Software (Topic 985): Certain Revenue Arrangements That Include Software Elements* (a consensus of the FASB Emerging Issues Task Force)
- Proposed Accounting Standards Update, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*
- Proposed Accounting Standards Update, *Consolidation (Topic 810): Accounting and Reporting for Decreases in Ownership of a Subsidiary—a Scope Clarification*
- Proposed Accounting Standards Update, *Extractive Industries—Oil and Gas (Topic 932): Oil and Gas Reserve Estimation and Disclosures*
- Proposed Accounting Standards Update, *Research and Development (Topic 730): Research and Development Assets Acquired and Contingent Consideration Issued in an Asset Acquisition* (a consensus of the FASB Emerging Issues Task Force)
- Proposed Accounting Standards Update, *Equity (Topic 505) and Earnings per Share (Topic 260): Accounting for Stock Dividends, Including Distributions to Shareholders with Components of Stock and Cash* (a consensus of the FASB Emerging Issues Task Force)
- Proposed Accounting Standards Update, *Financial Services—Insurance (Topic 944): Consideration of an Insurer’s Accounting for Majority-Owned Investments When Ownership Is through a Separate Account* (a consensus of the FASB Emerging Issues Task Force)
- Proposed Accounting Standards Update, *Derivatives and Hedging (Topic 815): Scope Exception Related to Embedded Credit Derivatives.*