

REPORT OF THE CHAIRMAN OF THE FASB  
TO THE FINANCIAL ACCOUNTING FOUNDATION  
February 1, 2008 through April 30, 2008

---

**ITEM 1: TECHNICAL ACTIVITIES**

**BOARD AND STAFF ACTIVITIES**

a. Documents issued:

1. Final Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities*.
2. Final FSP FAS 140-3, *Accounting for Transfers of Financial Assets and Repurchase Financing Transactions*.
3. Final FSP FAS 142-3, *Determination of the Useful Life of Intangible Assets*.
4. Final FSP FAS 157-1, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13*.
5. Final FSP FAS 157-2, *Effective Date of FASB Statement No. 157*.
6. Final FSP FIN 48-2, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*.
7. Final FSP SOP 90-7-1, *An Amendment of AICPA Statement of Position 90-7*.
8. Final FSP SOP 07-1-1, *Effective Date of AICPA Statement of Position 07-1*.
9. Proposed FSP FAS 117-a, *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*. The comment period ended April 18, 2008.
10. Proposed FSP FAS 132(R)-a, *Employers' Disclosures about Postretirement Benefit Plan Assets*. The comment period ends May 2, 2008.
11. Invitation to Comment, *Reducing Complexity in Reporting Financial Instruments*. The comment period ends September 19, 2008.

b. Projects added to the Board's agenda:

1. Project to address a conflict between AICPA Statement of Position 90-7, *Financial Reporting by Entities in Reorganization under the Bankruptcy Code*, and other authoritative accounting standards that expressly prohibit early adoption.
2. Project to reconsider FASB Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities*. This will be addressed together with the existing project on potential changes to Statement 140 on transfers of financial assets.

3. Project to consider improvements to disclosures about credit derivatives accounted for under FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*.
- c. A project that would have created one definition of a public/nonpublic entity to be used throughout all FASB literature was removed from the Board's agenda.
- d. Emerging Issues Task Force (EITF):
  1. At the March 26, 2008 Board meeting, the Board ratified the consensus reached at the March 12, 2008 EITF meeting on Issue No. 07-4, "Application of the Two-Class Method under FASB Statement No. 128 to Master Limited Partnerships."
  2. The Board also ratified the consensus-for-exposure reached by the Task Force on Issues No. 07-5, "Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock," No. 08-3, "Accounting by Lessees for Nonrefundable Maintenance Deposits," and No. 08-4, "Transition Guidance for Conforming Changes to EITF Issue No. 98-5. The comment period for the draft abstracts posted to the FASB website for each of those Issues ends on May 5, 2008.
  3. All seven Board members participated in the March EITF meeting.
  4. The EITF chairman and several members of the staff met with the EITF Working Group on Issue 07-5.
- e. Seven Board members, several staff members, and invited guests participated in the March meeting of the Financial Accounting Standards Advisory Council. For the closed portion of the meeting, the FASB directors provided an overview of the FASB's structure, procedures, and technical agenda. Members of the FASB's technical staff gave brief updates on major projects, such as the conceptual framework, financial statement performance, revenue recognition, and liabilities and equity.
- f. Two Board members and staff held a closed meeting with the Senior Roundtable Steering Committee of the National Investor Relations Institute to discuss several topics, including financial statement presentation, revenue recognition, and liabilities and equity.
- g. Three Board members, a director, and eight staff members met in a closed session with representatives of the Equipment Leasing and Finance Association (ELFA) to discuss the leases project.
- h. Two Board members and the director of MP&T met in a closed meeting with the Investor Technical Advisory Committee. That committee provided investor perspectives on a variety of on-going Board projects including international convergence, improvements to Statement 140, and a potential project to provide a framework for disclosures.

- i. The chairman, one Board member, the director of TA&I, and the director of PD&S met with representatives of the Big 4 firms to discuss fair value practice issues.
- j. The TA&I director and staff met with the Valuation Resource Group to discuss Statement 157 implementation issues.
- k. A staff member participated in a meeting of the Connecticut UPMIFA Working Group.

#### INTERNATIONAL ACTIVITIES

- a. The chairman participated in the Global Public Policy Symposium of the major international audit networks in New York.
- b. The FASB and the IASB held a semiannual joint meeting in London. The Boards' discussions included various technical issues on the Boards' joint projects on the conceptual framework and revenue recognition, discussions also included the updated Memorandum of Understanding and the Boards' responses to reporting issues arising from the credit crisis.
- c. FASB staff participated in IASB Board meetings and discussed various technical issues on the Boards' joint projects on revenue recognition, amendments to IFRS 5, and financial statement presentation.
- d. The FASB's conceptual framework Board advisors met with the IASB via video conference and discussed technical matters.
- e. The FASB and IASB directors continued their ongoing series of weekly conference calls to discuss technical and administrative matters.
- f. The chairman and a staff member participated in the IASC Foundation Conference in Toronto.
- g. A staff member participated in the Insurance Working Group meeting in London.
- h. The chairman and two Board members met with a delegation from the Ministry of Finance (China) to discuss matters relating to international convergence of accounting standards.
- i. The chairman, two FASB staff members, and an IASB staff member met with representatives of EFRAG to discuss several matters, including the FASB Preliminary Views, *Financial Instruments with Characteristics of Equity*.

#### OTHER ACTIVITIES

- a. The following professional development sessions were presented to the Board and staff:

1. The Proposed IFRS for Small- and Medium-Sized Entities. Paul Pacter, Director of Standards for Small and Medium-sized Entities (SMEs) at the IASB, and Director of Global IFRS Office of Deloitte Touche Tohmatsu in Hong Kong, discussed the need for and the benefits of global standards for SMEs. In his presentation he also discussed issues raised in the course of the deliberations leading up to the February 2007 Exposure Draft, how the full IFRS was adapted to SMEs, comments received on the Exposure Draft, field test results, and the world's movement toward adoption. He also covered the next steps in issuing a final standard.
2. Accounting for and in the Subprime Loan Crisis. Dr. Stephen Ryan, Professor of Accounting, Peat Marwick Faculty Fellow—New York University, Leonard N. Stern School of Business discussed the accounting for and in the subprime loan crisis. He also covered issues relating to fair value such as fair valuing assets in illiquid markets. In addition, he discussed the effect of the subprime crisis on securitizations and the application of FASB Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities*.
3. NY Law and Ethics. Timothy F. Gearty, Becker Gearty CPE, presented a course on New York Law and Ethics. This course met the specific state ethic requirements for the State of New York and also satisfied most states' ethics requirements where general ethics courses are acceptable.
4. Transitioning Canada into IFRS. Peter Martin, Accounting Standards Director, and Karen McCardle, Principal of the Canadian Accounting Standards Board, discussed the CICA's plan for incorporating IFRSs into Canadian GAAP. The presentation highlighted the challenges Canada's Accounting Standards Board faced in its decision to adopt IFRSs to replace Canadian GAAP and the plan the Board developed to ensure the country will be ready for the changeover by 2011. The presentation included a discussion of how Canada decided when to adopt IFRSs, how to adopt them (in stages or all at once), who should be required to prepare financial statements in accordance with IFRS, what resources would be needed to ensure a successful transition, and a number of other key areas in the transition process.

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

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

## **ITEM 3: WASHINGTON ACTIVITIES**

- a. The chairman conferred with Members of the United States Senate and with Congressional staff members on international convergence, major project activities, and other technical activities of the Board.
- b. 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.

- c. The chairman participated as an official observer to the SEC Advisory Committee on Improvements to Financial Reporting. Board members are also acting as observers to the subcommittees of this committee.
- d. The TA&I director participated as a senior advisor to the SEC Advisory Committee on Improvements to Financial Reporting.
- e. 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.
- f. The chairman, two Board members, the director of TA&I, the director of MP&T, and a staff member held quarterly meetings with the SEC and the PCAOB to discuss current FASB activities and other matters of mutual interest.
- g. The chairman provided a lengthy written letter to Senator Reed in response to the Senator's inquiries relating to various reporting issues arising from the credit crisis.

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

Principal platforms addressed by the Board and staff members during the February 2008 through April 2008 period include:

- AICPA Webcast
- AICPA Webcast on Endowments, IPMIFA & Proposed FSP FAS 117-c
- American Accounting Association –APLG/FSA Meeting
- American Accounting Association – Midwest Regional Meeting
- American Bar Association's Section of Business Law
- American Council of Life Insurers (ACLI)
- American Enterprise Institute (AEI) Fair Value Accounting Conference
- API Accounting Committee
- Becker Gearty for Professor and Students
- Bentley College
- Brigham Young University Advanced Financial Reporting Conference
- Center for Business Intelligence – Pharmaceutical Accounting & Reporting Congress
- College of Business, DeKalb, IL
- CPE Inc. 2008 Conference on Fair Value Accounting
- Connecticut State Society's Not-for-Profit Committee
- Deloitte & American Accounting Assoc. Trueblood Seminars for Professors
- Directors Roundtable National Conference
- EuroFinance Conferences Ltd. International Cash & Treasury Management Conference
- Financial Executives International (FEI) Central PA Chapter
- Financial Executives International – FEI/CCR Meeting
- Financial Executives International Oklahoma City Chapter
- Financial Executives International Pittsburgh Chapter

- Financial Institutions Accounting Committee (FIAC) of Financial Managers Society
- Global Public Policy Committee
- IASC Foundation & CICA
- Kent State University 34<sup>th</sup> Annual Meonski Ohio Council IMA Professional Development
- National Association of College and University Business Officers (NACUBO)
- NACUBO Webcast on Endowments, UPMIFA & Proposed FSP FAS 117-c
- NAREIT's Annual Law and Accounting Conference
- National Association of Regulatory Utility Commissioners
- Pace University—The Lubin School – Forum on Contemporary Accounting Issues
- PCAOB 2008 Annual Inspections Division Training
- PCAOB 2008 Symposium
- Reuters Regulatory Summit
- Standard & Poor's Credit Market Services
- Tax Executives Institute (TEI)
- The National Academies (Science, Technology, and Economic Policy)
- University of Oklahoma, Price College of Business, School of Accounting
- University of Fairfield Beta Alpha SSI
- University of Illinois at Urbana-Champaign Professional Lyceum
- University of Mississippi Accountancy Weekend
- University of Tulsa Conference of Accountants
- Virginia Tech. Department of Accounting and Information Systems
- Wayne State University School of Business Administration

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

- a. The FASB, through the Communications Department, issued the following nine press releases: *FASB Staff Position FIN 48-2, Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises, Issued (2/1/08)*; *FASB Issues Proposed FASB Staff Position FAS 117-a, 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 (2/22/08)*; *The Financial Accounting Foundation Board of Trustees Approves Changes to Oversight, Structure and Operations of FAF, FASB and GASB (2/26/08)*; *FASB Issues Proposed FASB Staff Position (FSP) No. 132(R)-a, Employers' Disclosures about Postretirement Benefit Plan Assets (3/19/08)*; *FASB Issues Statement No. 161, Disclosures about Derivative Instruments and Hedging Activities (3/19/08)*; *FASB Issues Invitation to Comment, Reducing Complexity in Reporting Financial Instruments, including IASB Discussion Paper, Reducing Complexity in Reporting Financial Instruments (3/28/08)*; *SEC Content Released onto the FASB Accounting Standards Codification<sup>TM</sup> for the Verification Phase (4/3/08)*; *The Financial Accounting Foundation and the Financial Accounting Standards Board to Host High-Quality Global Accounting Standards: Issues and Implications for U.S. Financial*

- Reporting (4/17/08); and *The Financial Accounting Standards Board and the China Accounting Standards Committee Sign Memorandum of Understanding* (4/28/08).
- b. The Communications Department spent a significant amount of time on media issues on fair value accounting and its role in the economic downturn. In addition to interviewing key FASB members and staff to prepare talking points and related materials on the subject, the department participated in publicizing a CFA Institute Media Roundtable on the subject, which counterbalanced criticism of fair value with input from the investor point of view. Media inquiries from a large number of publications were also handled, including an interview with Bob Herz by Ian Katz of Bloomberg and a NY Times interview with Russ Golden.
  - c. At the conclusion of the first quarterly FAF Trustee meeting of 2008, the Communications Department hosted a press conference at the Roosevelt Hotel in New York City to discuss acceptance by Trustees of proposed improvements to the FAF, FASB, and GASB.
  - d. The FASB and the Communications team continued to educate reporters from key outlets on the Board's activities and mission and independent process. Specific meetings or conference calls were held with reporters on IFRS (Bob Herz interviewed by CFO.com on February 1; business combinations project (Sue Bielstein interviewed for Accounting and Business Magazine and FEI publication); Bob Herz profile (NJ CPA magazine); auction rate securities (Wall Street Journal interview with Russ Golden); VIEs (Dow Jones Newswire interview with Chris Roberge); participating securities (Compliance Week interview with Christopher Bolash); non-profit accounting issues (Investment News interview with Jeffrey Mechanick); Statement 161 (CFO.com and Business Week interviews with Kevin Stoklosa); FSP 157-c (CFO.com interview with Ron Maples); XBRL (Thomson Tax & Accounting interview with Dennis Chookaszian); and derivatives (Asset & Securitization Report interview with Bob Bhave).
  - e. The Communications Department worked with the FASB on developing and promoting the second FASB webcast held on March 13, 2008, titled "The Move to Codification of U.S. GAAP."
  - f. On April 30, the Department provided a tour to a group of accounting students from Nyack College.

#### **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 two staff directors.
- c. The GASB RTA director and the FASB PD&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 Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities*
  - Final Statement, *Accounting for Financial Guarantee Insurance Contracts*

- Final Statement, *The Hierarchy of Generally Accepted Accounting Principles*
- Final FSP FAS 142-3, *Determination of the Useful Life of Intangible Assets*
- Final FSP EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*
- Final FSP APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)*
- Final FSP SOP 90-7-1, *An Amendment of AICPA Statement of Position 90-7*
- Final FSP SOP 07-1-1, *Effective Date of AICPA Statement of Position 07-1*
- Proposed revised Statement, *Earnings per Share*
- Proposed Statement, *Disclosure of Loss Contingencies*
- Proposed FSP FAS 117-a, *Endowments of Not-for-Profit Organizations: Net Assets Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures*
- Proposed FSP FAS 132(R)-a, *Employers' Disclosures about Postretirement Benefit Plan Assets*
- Proposed FSP ARB 43-a, *Amendment of ARB No. 43*
- Proposed FSP SOP 94-3-1 and AAG HCO-1, *Omnibus Changes to Consolidation and Equity Method Guidance for Not-for-Profit Organizations.*
- Invitation to Comment, *Reducing Complexity in Reporting Financial Instruments*

e. The FASB staff received the following GASB draft for review:

- Exposure Draft, *Service Efforts and Accomplishments Reporting.*