Remarks of Russell G. Golden
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32nd Annual SEC and Financial Reporting Institute Conference
University of Southern California Leventhal School of Accounting
Pasadena, California
May 30, 2013

Good morning.

It's my pleasure to be with you here today at the premier financial reporting conference on the West Coast.

I must tell you I am honored to be included among the distinguished speakers who will be joining you here today – including your keynote speaker, Commissioner Elisse Walter of the Securities and Exchange Commission.

I'm especially pleased to be sharing the stage this morning with Paul Beswick in his first appearance here as the S.E.C.'s chief accountant. And before I begin, I'd like to remind you that my comments today reflect my views and my views alone.

Today represents an important milestone for the SEC and Financial Reporting Institute Conference – thirty-two years and counting. It's a testament to the commitment and hard work of those at the Institute and the Leventhal School of Accounting at USC that this event has achieved the stature, popularity and prestige that it now deservedly enjoys.

That prompts me to mention another important anniversary. Forty years ago this summer – on July 5, 1973 – the FASB held its first meeting in borrowed office space in Stamford, Connecticut.

It has been, as they say, a long and winding road, characterized by challenges and setbacks, as well as major success stories. Always, our efforts have been focused on promoting financial reporting that is more transparent, consistent, useful and reliable for investors, lenders and other users of financial statements.

As all of you know, our work has not always earned us the top award for popularity. In fact, some folks over the years have said some downright unkind things about us. But in standard-setting, seeking to do the "right thing" is rarely the path to victory in the contest to be the most popular. And that's as it should be.

Just a few months before the FASB held its first meeting, Reginald H. Jones, chairman of the board of the General Electric Company, addressed the FASB's parent organization, the Financial Accounting Foundations, in New York City. He presciently cautioned that the work of the new FASB would not be met with universal approval, and urged corporate America to support that work nonetheless.

"We must recognize," Mr. Jones said, "that the new board will not be a cure-all for every ailment. We must recognize that with its first decision the new board is going to gore somebody's ox – and that will be the time for us to pull together – not to splinter apart."

I would hope that those of you from the corporate community here with us today will keep those words in mind as we move forward with standards for revenue recognition, leasing and impairment.

I recognize that speakers at this conference generally focus on technical issues of interest to the corporate and academic communities. And I assure you that we will get around to that.

Later today, the FASB's Technical Director, Sue Cosper, and I – along with others – will brief you on some of the major changes in financial reporting that are coming up related to revenue recognition, leasing, financial instruments and other areas.

But for the next few minutes, I'd like to talk a little bit about the bigger picture.

Forty years after its founding, the FASB has arrived at an important inflection point in its history.

We are about to complete the last of the so-called "convergence" projects with the International Accounting Standards Board, ending a ten-plus-year period of intense, bi-lateral standard setting.

Achieving and preserving more comparable and converged global accounting standards will remain a critically important goal, but the methods we use to accomplish that objective will change.

Absent a decision in the United States about the incorporation of International Financial Reporting Standards into U.S. GAAP, the FASB must decide how to continue to pursue the goal of convergence – while ensuring that we address the pressing concerns of those who invest in U.S. capital markets.

Discussing how we pursue those two related – but sometimes conflicting – missions is how I'd like to spend the next few minutes.

For the remainder of this year and next year, the FASB's top priority will be to complete our major convergence projects. We hope to release a final standard on revenue recognition in the coming months. We plan to issue final standards on our two financial instruments projects – classification and measurement; and impairment – in early 2014. A final standard on leasing should be completed in 2014 and one on insurance thereafter.

But issuing final standards is just the beginning – not the end – of the process. Once the standard is issued, we plan to spend a considerable amount of time and energy addressed implementation and education issues.

For each of these significant projects, the FASB plans to create transition resource groups intended to educate and better understand implementation issues before the implementation process actually begins.

I expect these groups will focus on three primary areas:

1) Education – Often when a new standard is developed, preparers and auditors have questions and seek to confirm that their understanding is consistent with the Board's intention

2) Amendments – At times unintended consequences are discovered after a standard is finalized. If that is the case, I hope the board will act to revise any necessary changes to assist with a cost effective implementation.

3) Interpretation – It is not uncommon for reasonable people to read the same words and evaluate those words differently.

I hope that the majority of the groups' time will be devoted to the first category – education. I also expect that they will meet in public with the full board and will publish minutes.

We plan to include in these groups representatives from the preparer, auditor, and investor communities. We also plan to have both domestic and international participation – including members of the IASB. I expect that the revenue recognition group will be formed shortly after the standard is issued and its activities will cease sometime in 2016.

Once these final convergence projects are complete, we plan to continue our work with the IASB through the new Accounting Standards Advisory Forum, or ASAF.

While our bilateral relationship with the IASB will end, we believe our participation in the ASAF will provide the FASB with an important opportunity to continue to represent U.S. interests in the IASB's ongoing standard-setting process.

We also believe it represents a valuable opportunity to work together with other national standard setters around the world to develop high quality standards, both at the global and national level.

And finally, we believe FASB membership in the ASAF will help continue the process of improving and converging U.S. GAAP – and IFRS

Put another way, we believe that participating in the ASAF process could help inform our work in setting the agenda for future FASB projects – and that we can continue to offer advice to the IASB as it works on projects of importance to U.S. stakeholders.

In representing the FASB on the ASAF, I plan to make use of a wide range of resources and tools. They will include the collective experiences of all of our FASB members; our existing outreach channels; and due process documents. In other words, the advice we provide on IASB projects that might impact U.S. GAAP will not be based on my views, but on the collective views of the FASB and what we have heard from U.S. stakeholders.

I believe this is important so that the FASB could, as its places new projects on its agenda, be in a position to consider views raised at the ASAF. Additionally, FASB participation will help ensure that standards that have been converged do not again diverge as time passes.

Even as we stay committed to convergence, we also need to address the pressing needs of investors in U.S. capital markets.

To that end, the Financial Accounting Standards Advisory Council (FASAC), the FASB's primary advisory council, recently published a survey to gather information about potential new agenda items for the FASB. With the completion of the convergence projects, the survey is intended to provide valuable feedback to the FASB as it decides on future projects.

The survey asks stakeholders to share their views on project priorities and includes open-ended questions to provide an opportunity for respondents to elaborate on the areas that they believe are the most important for the FASB to address.

The results from this survey will help me and my fellow board members decide whether, and if so, how to proceed with;

1. Projects that have been on the backburner, such as financial statement presentation and financial instruments with characteristics of equity

2. Issues that have been the focus of news stories and commentaries, such as pension accounting

3. Potential convergence items – including whether the FASB should incorporate specific areas of IFRS into US GAAP – and

4. Issues with existing standards arising from information gathered during the FAF's Post-Implementation Review (PIR) process.

We welcome all interested parties to participate in this survey. In fact, today is the final day it will be up on the FASB website, so we encourage you after this conference to visit the site and fill out the survey form.

I hope that the results of this survey will enable us to identify areas for improvement in U.S. GAAP – that is, areas in which we can improve transparency for investors and/or reduce costs for preparers.

I look forward to working with my fellow board members, our advisory councils, investors, preparers and others to think about these future projects. From what I've heard to date, I am confident that the disclosure framework project will remain a high priority. Other possible projects that

I've heard mentioned are hedging, pension accounting, and liabilities and equity.

No discussion of the FASB's future agenda would be complete without mentioning our work with the Private Company Council or PCC.

As you know, the FAF last year created the PCC and charged it with two principal responsibilities. Based on criteria mutually developed and agreed to with the FASB, the PCC will determine whether alternatives within existing U.S. GAAP are needed to address the needs of users of private company financial statements.

The PCC will identify, deliberate, and vote on any proposed changes, which will be subject to endorsement by the FASB and submitted for public comment before being incorporated into GAAP.

The PCC also will serve as the primary advisory body to the FASB on the appropriate treatment for private companies for items under active consideration on the FASB's technical agenda.

The PCC is off and running and has been accomplishing a great deal. I have been impressed with the depth and passion of the members as we have explored some very difficult areas. The members of the PCC and the chairman are firmly committed to working with the board to bring about improvements to private company accounting standards.

Recently the PCC voted to propose changes to the accounting for intangible assets acquired in a business combination and to amortize goodwill, and at its next meeting in July, the PCC and the FASB should finalize our decision-making framework. We expect many more good things to come.

Finally, let me mention some concerns we've heard about the codification of our accounting standards.

As I listen to our stakeholders in visits around the country, I often hear mixed views regarding the codification. Most agree and applaud the concept of the value of the codification, but they also observe that, as presently constituted, it is very cumbersome and not user friendly.

Over the coming months the FASB will conduct an analysis of areas where the codification may be improved.

First, we will determine whether we can improve upon how we write and communicate changes to the codification. We will consider if we can and should be more flexible.

Second, we will consider improvements suggested by our stakeholders. And third, we will begin to rewrite some of the more confusing sections. Currently we are in the process of rewriting the liabilities and equity section of the codification.

That's just a very brief overview of my priorities for the weeks and months ahead.

Before I conclude, I want to return for just a moment to the subject of our 40th anniversary.

As some of you may know, we launched our celebration by unveiling a refreshed visual brand identity—not only for the FASB, but also our parent organization, the FAF, and our sister standard setter, the Governmental Accounting Standards Board.

Our new look and new logos are intended to emphasize how all three organizations share a mission of working together in the public interest to promote transparent, relevant and useful financial reporting.

We also unveiled a new FASB website, the first of three, which features revamped, more user-friendly navigation, new "plain English" explanations of major FASB projects, and a digital timeline highlighting the most important events in the history of the three organizations. We hope you'll take the time to visit and share your comments.

As you can see, this is a very exciting time for the FASB. We have more than a full helping of just about everything on our plate.

As I prepare to take on the role of FASB chairman on July 1, I realize that the role of the FASB in promoting sound, transparent accounting and financial reporting has never been more important.

I can only hope that when my term as chairman ends, I leave the organization and the U.S. Financial Reporting system in a place that is more transparent for investors, less complex for preparers, and more relevant to private companies. I also hope that U.S. GAAP and IFRS will be closer in many key areas than they are today.

But we can accomplish none of those goals without your commitment and your assistance. Participating in our surveys, providing us with comment letters, attending roundtables and conferences are critical elements of the standard-setting process. Without you, we won't be able to get the job done.

Thank you very much.

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