Remarks of Russell G. Golden
Chairman, Financial Accounting Standards Board
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Thank you.

In 2013, after three years as a member of the FASB, I became chairman. It was a role I was honored to accept.

Like any job, though, being chairman of the FASB has its ups and downs.

The perks include getting to speak at AICPA conferences like this one—if only as a warmup act for FASB Technical Director Sue Cosper, who will tell you what you really need to know about our standards. She follows this presentation, so bear with me for a little while.

The downside of being FASB chairman is that I only get one vote on the Board. And it's not always the winning one.

That's not necessarily a bad thing. As the late, great New York City Mayor Ed Koch once said: "If you agree with me on nine out of 12 issues, vote for me. If you agree with me on 12 out of 12, see a psychiatrist."

But that diversity of views is what makes the standard-setting process work—and allows us to come to the best solutions to accounting problems.

And because not all Board members have the same views, it's also why I must remind you that the thoughts that I'll express here today are my own. I'm not speaking on behalf of the FASB.

Recently, the Board of Trustees of the Financial Accounting Foundation reappointed me to a second, three-year term as chairman—so I'll be sticking around until 2020.

It also means that I'm midway through my FASB chairmanship. For that reason, I thought it would be appropriate to reflect on the priorities I set back in 2013, what the Board has achieved since then, and what we have yet to accomplish.

Rather than rattle off a laundry list of our activities, I'll summarize those priorities using what I call the "Five Is": **Improvement**, **Implementation**, **Inclusion**, **Ideals**, and **International**.

I think of these "I Priorities" as our high priorities.

Then, I'll look at what we've done on the "five Is."

Finally, I'll share our plan for fulfilling these "I priorities" into the next three years.

So, let's start with what I said we'd do back in 2013.

First and foremost, I said we'd **improve** GAAP. Improvement underlies everything we do—especially in setting standards that provide users with the information they need to make sound decisions.

But improving standards isn't enough. For standards to result in improved financial reporting, preparers must be able to understand and consistently apply them. That's why I focused on **implementation**—the second "I"—as a top priority.

In standard setting, one size does not fit all. To develop truly high-quality standards, we must hear and understand perspectives from all our stakeholders—including private companies, public companies, and not-for-profit organizations. For that reason, I made **inclusion** our third "I priority."

The fourth "I"—**ideals**—relates to our goal of completing key foundational projects—specifically, the FASB conceptual framework and the disclosure improvement initiative. The conceptual framework gives our Board—and future Boards—the starting point for analysis when addressing an accounting issue.

The disclosure framework would serve a similar function, providing the FASB a consistent methodology for approaching decisions about disclosures across Codification Topics.

The final "I"—**international**—refers to how I envisioned our future working relationship with the IASB and other national standard setters around the globe.

In 2013, the FASB was winding down its bilateral working relationship with the International Accounting Standards Board, or IASB. While that relationship did produce more comparable standards, it could not reconcile some of the cultural and regulatory differences between the United States and Europe.

We decided on a new approach to achieve greater comparability of global standards:

- One, through the continued development and improvement of GAAP
- Two, by actively participating in the development of IFRS; and
- Three, by enhancing relationships and communications with other national standard setters.

Now that I've talked about what I said we'd do, I'll talk about what we've accomplished in each area.

<u>What We Did to Support the "Five Is"</u>

From 2013 to the present, we've significantly **improved** GAAP by completing major projects—specifically, revenue recognition, leases, and credit losses—and narrow-focused simplification projects.

Issued in 2014, the revenue recognition standard represented a major achievement in our efforts to improve and converge—with the IASB—one of the most important areas of financial reporting that affects all companies and organizations.

It eliminated a major source of inconsistency in GAAP, which currently consists of numerous disparate, industry-specific pieces of revenue recognition guidance.

Another major accomplishment was the completion of the leases standard, which we issued last February.

We believe the new guidance will result in a more faithful representation of leasing activities. It requires organizations that lease assets to recognize on the balance sheet the assets and liabilities created by those leases. The new standard also requires more disclosures, which will improve information about these transactions.

In June, the FASB issued its standard on credit losses. As most of you know, the new standard requires a current expected credit loss—or CECL—model instead of the "incurred loss" approach in effect today. The CECL model uses a single "expected credit loss" measurement objective for the allowance for credit losses. It also requires that the balance sheet reflect the net carrying amount of a financial asset—net of allowance for credit losses—at the amount an organization expects to collect.

In addition to these major projects, the FASB launched a simplification initiative to make narrow-scope improvements to accounting standards through a series of short-term projects. As part of this initiative, the FASB addressed areas such as measurement of inventory, presentation of debt issuance, and cloud computing fees—and succeeded in reducing cost in the system without compromising the quality of information provided to investors.

As I mentioned earlier, you can issue the greatest standard in the world, but it won't improve financial reporting if preparers don't understand and apply it consistently. For that reason, we've taken a more proactive approach to supporting the **implementation** of our standards.

The most notable example is our Revenue Recognition Transition Resource Group, or TRG, which we created with the IASB.

A wide spectrum of stakeholders around the globe were involved with the TRG effort, including preparers across industries, auditors, users, regulators, the Private Company Council—or PCC—and the AICPA. Their input helped us quickly identify issues that might lead to diversity in practice—before the initial implementation of the standard.

In addition, our experience with the TRG helped us to find additional practical expedients that should reduce cost and complexity both at implementation and on an ongoing basis, without significantly changing the quality of the information reported.

Based on the success of the Revenue Recognition TRG, the FASB also created a Credit Losses Transition Resource Group. Convened in late 2015, the group includes financial statement preparers—including community banks and credit unions, auditors, users, and regulators.

We realized in our work with the Revenue Recognition TRG that, if we'd had a meeting before we issued the final standard, we might have been able to improve certain confusing words and phrases in the guidance *before* it was released.

Therefore, we convened the Credit Losses TRG before the credit losses standard was issued so that members could weigh in on the draft guidance before it was final. This will reduce the need to make technical corrections later.

We decided not to develop a leases TRG because the degree of change in leases is not as significant as these other projects. However, our staff is monitoring the types of questions we receive. In fact, at our meeting last week, the Board discussed the nature and extent of questions we've heard about to date. We stand ready to address these and other issues as they arise.

Now, I'll move on to what we've done to ensure that our standard-setting process is more **inclusive** for all our stakeholders.

First, I think we've come to realize that not all stakeholders are technical accountants.

Since 2013, we've introduced new, plain language communications materials that provide a clearer, "big picture" view of our activities. They include our quarterly *FASB Outlook* newsletter, more "FASB in Focus" summaries of proposed and final standards, and cost-benefit overviews that explain how the Board concluded that the benefits of issuing a final standard were worth the anticipated costs. We've also stepped up our video production to help viewers understand what we're doing, why we're doing it, and how it may affect them.

These efforts have helped make standard setting more "user friendly" to general audiences—and make the process more inclusive. During the past three years, we've taken other, more formal steps to increase inclusiveness and engagement.

Take private companies, for example.

Our objective was (and still is) to develop the most comparable standards possible—across industries, organizations, and yes, even nations. However, input from our private company stakeholders made us realize that a "one size fits all" approach does not necessarily translate into the most relevant information for their financial statement users.

That's why, over the past three years, the Board has undergone a "cultural evolution" among our members. This includes a shared understanding of the differences among public, small public, and nonpublic companies and not-for-profit organizations, and when those differences do—or do not—justify accounting alternatives.

If it sounds like a balancing act, it is—one that requires listening, analysis, and outreach to be successful. But I think we're making progress.

We also made progress on the fourth "I"—financial reporting **ideals**—through work on our conceptual and disclosure framework projects.

Several years ago, we put the conceptual framework project on the back burner so that the Board could focus on finishing major joint projects with the IASB.

In 2013, those projects were winding down, so the time was right to reactivate our work on the conceptual framework. Last August, the FASB issued an Exposure Draft that describes concepts for presentation of recognized elements in the financial statements. We're currently in redeliberations on that part of the project.

The disclosure framework project was added to our agenda in 2009, in response to recommendations from several stakeholders. Those stakeholders included the Investors Technical Advisory Committee (ITAC) and the SEC Advisory Committee on Improvements to Financial Reporting.

As I've said in the past, the FASB's disclosure framework project is aimed at the relevance—not the volume—of notes to financial statements. In many cases, the disclosure framework project is likely to result in more—and more relevant—disclosures, not fewer. The Board has already made tentative decisions—and issued proposals for public comment—on requirements that will increase disclosures to investors in a number of areas, including income taxes, pension plans, and fair value.

Before finalizing any of its decisions, the FASB will host a public roundtable to discuss input we received on all the proposals issued as part of this project. Based on the feedback we receive, we will develop a plan for finalizing the decisions.

Now, I'll look at what we've done on the final "I"—**international**—over the past three years.

First, I would count the completion of our joint revenue recognition standard as a major success for both the FASB and the IASB.

And while our Boards came to different answers on leases and credit losses, we agreed on the important things: namely, that all leases belong on the balance sheet, and that we needed a more forward-looking model for credit losses.

I believe that working toward the development of more comparable global accounting standards is important to reducing complexity in financial reporting. That's why we continue to collaborate and cooperate with the IASB and national standards setters with an eye toward agreeing on and adopting standards that promote common outcomes.

Over the past three years, we've contributed to improving IFRS through our membership in the IASB's Accounting Standards Advisory Forum. We've also met individually with standard setters from Canada, Japan, China, Korea, and other nations to share ideas on improving our respective standards.

We have continued to consult with the IASB on issues of mutual interest, even as we've strengthened our existing relationships with other standard setters. This has helped promote the broader flow of information and ideas that mutually inform each other's thinking and contribute to an environment that will foster greater convergence.

So what do we have left to do in the next three years? Plenty.

What We Will Do

We're going to continue to **improve** GAAP by issuing final standards on hedging and insurance.

Earlier this year, the FASB issued its proposed improvements to the hedge accounting model for financial and nonfinancial items. The proposed standard is intended to improve and simplify the requirements related to hedge accounting, and to more closely align them with companies' risk management activities. The changes will benefit companies and users alike in their understanding of the hedge results and the costs of hedging programs.

The core principle of the proposal is that hedge accounting should be permitted for a broader range of financial and nonfinancial risk management strategies than under current GAAP.

Last week, we hosted roundtables to aid our decision making on this project. Based on what we learned, we expect to issue a final standard by the end of 2017.

In September, the FASB issued a proposed standard on long-duration contracts issued by insurance organizations, such as life insurance and annuities. The proposal is intended to improve existing recognition, measurement, and disclosure requirements—and to provide more useful information about the amount, timing, and uncertainty of cash flows.

A roundtable on the insurance proposal is planned for the first quarter of 2017. We hope to have a final standard sometime next year.

We will also continue to improve financial reporting through simplification initiatives. In early 2017, we expect to issue final guidance that will reduce the cost and complexity of determining the current versus noncurrent balance sheet classification of debt. Also planned for 2017 is a final standard that improves the accounting for nonemployee share-based payment awards issued by public and private companies.

To ensure that these standards result in the intended improvements, we're going to continue efforts to monitor and assist in transition—and we are prepared to address issues that may arise in their **implementation**. While it's too early to predict what those issues might be, we stand ready to provide insight where appropriate.

We'll continue to promote **inclusiveness** in the standard-setting process by working closely with our advisory groups on issues of importance to stakeholders.

As you may know, we recently conducted a review of each of our advisory groups to assess their continued effectiveness. Based on that review—and with the success of the PCC in providing private company input—we decided to refocus our Small Business Advisory Committee, or SBAC, on smaller *public* companies. The "new" SBAC had its first meeting last week.

Our review of advisory groups also reinforced the importance of having an investor-focused group—and that the current composition of our Investor Advisory Council is working. To improve its effectiveness, the IAC will advise the FASB in two primary areas, including generalist issues—such as disclosure framework, hedging, and other broad projects—and emerging trends. Future IAC meetings also may include breakout sessions, as well as substantive public sessions.

We think these changes will provide the Board with even better input.

Combining "improvement" and "inclusiveness"—or, to borrow from Stephen Colbert, "improviness"—we're also going to be redeliberating feedback we received on an Invitation to Comment we issued earlier this year.

For the first time, we asked stakeholders to weigh in on what they think the Board's top agenda priorities should be in the coming years. Some of the areas we're exploring include improvements to liabilities and equity, financial performance reporting, and pensions.

We've received a lot of valuable feedback on our Invitation to Comment. In addition to input on potential agenda projects, some stakeholders opined that we should slow down on new projects until they've had the chance to absorb new guidance issued in recent years.

At a public roundtable next week, we will discuss with stakeholders all of the feedback we received on the Invitation to Comment—including how we can manage the pace of change while continuing to improve GAAP. We look forward to an insightful dialogue that will help us determine our future priorities.

In the category of **ideals**, we will continue to focus on completing our conceptual and disclosure framework projects.

We've had on our agenda two conceptual framework projects—one that considers measurement concepts and one that considers presentation concepts. These are areas that have not yet been adequately addressed in the framework—and they need to be.

We've decided to take a broader look at these areas. Last week, the Board directed the staff to develop a revised project plan that will allow us to address the elements of financial statements, in addition to presentation and measurement concepts. Elements of financial statements include assets, liabilities, revenue, expenses, and gains and losses.

While working through the tactical areas of our foundational projects, we also will consider how technology is influencing both the delivery and consumption of financial information.

Technology gives us our greatest opportunity to improve financial reporting. Over the next few years, we will focus on figuring out how financial reporting can keep pace with advances in technology so that investors get more relevant information, more quickly. We're already seen the possibilities with XBRL.

Finally, on the international front, we will continue to engage with the IASB and other national standard setters. We expect to have joint meetings with these standard setters in 2017 to talk about our respective priorities and future initiatives. Such relationships help us improve financial reporting, while at the same time bringing us all closer to common solutions around the globe.

So there you have it.

I'm proud of the Board's accomplishments over the past three years, and I look forward to making even more progress in the areas of improvement, implementation, inclusion, ideals, and international issues.

We’ve improved GAAP by issuing final standards on revenue recognition, leases, and credit losses—and by addressing areas of unnecessary cost in the financial reporting system. We have worked to ensure that our standards can be implemented consistently so that their intended improvements come to fruition. We’ll continue these efforts with the hedging and insurance projects.

Through improved communication and our work with advisory groups, we’ve made our process more inclusive—for public and private companies of all sizes, as well as not-for-profit organizations—so that we’re truly meeting the needs of all stakeholders. In the years to come, we pledge to continue these efforts to better serve these increasingly diverse audiences.

We refocused on—and made strides toward completing—our conceptual and disclosure frameworks, bringing us closer to the ideal of financial reporting. And we’ll be working toward sound concepts on the measurement, presentation, and elements of financial statements.

We’ll also continue work on the disclosure framework project to enhance the effectiveness of disclosures. These projects will bring us to better solutions, less complexity, and more relevance in financial reporting.

Finally, we’ll continue to actively promote greater comparability in accounting standards across borders to improve financial reporting for all capital market stakeholders.

I’ll leave you today with two more important “Is” that are critical to our success—and that pertain to all of you in the audience—namely, your continued *involvement* and *input* into our process.

By supporting our standard-setting process, holding us accountable, participating in our surveys, providing us with comment letters, and attending our roundtables and conferences, you are helping us get the job done. Thank you for that. I hope you will continue to do so.

I also would like to thank my colleagues on the Board—and the FASB staff—for their professionalism, knowledge, and expertise. Working with these outstanding individuals has made my life as chair much easier—and I'm looking forward to what we can accomplish together in the next three years.

I hope that when my term as chairman ends, I leave the organization and the U.S. financial reporting system in a place where there is more useful information for investors and less cost and complexity for preparers—and that those benefits are shared by all stakeholders.

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