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## REPORT OF THE FASB CHAIRMAN

**October 1, 2017 through December 31, 2017**

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### **ITEM 1: STANDARDS-SETTING ACTIVITIES**

#### **A. FINAL STANDARDS AND DOCUMENTS ISSUED FOR PUBLIC COMMENT**

1. The Board issued the following final documents:
  - a. Accounting Standards Update No. 2017-14, *Income Statement—Reporting Comprehensive Income (Topic 220), Revenue Recognition (Topic 605), and Revenue from Contracts with Customers (Topic 606)* (SEC Update), issued November 22, 2017.
  - b. Accounting Standards Update No. 2017-15, *Codification Improvements to Topic 995, U.S. Steamship Entities: Elimination of Topic 995*, issued December 5, 2017.
2. The Board issued for public comment, Proposed Accounting Standards Update, *Codification Improvements* (issued October 3, 2017). Comment deadline: December 4, 2017.

#### **B. CHANGES TO THE STANDARDS-SETTING AGENDA**

1. The Board added the following projects to its technical agenda:
  - a. Leases—Targeted Amendments to Topic 842 (November)
  - b. Inclusion of the Secured Overnight Financing Rate Swap Rate as a Benchmark Interest Rate for Hedge Accounting Purposes (December).

#### **C. SIGNIFICANT TECHNICAL DECISIONS**

1. Leases Implementation
  - a. The Board decided to amend Topic 842, Leases, to allow an additional transition method. The Board proposed to allow an entity to elect to transition through a cumulative-effect adjustment to retained earnings in the period of adoption.
  - b. The Board decided to amend Topic 842 to provide lessors with a practical expedient, by class of underlying assets, to not separate nonlease components

from the related lease components and, instead, to account for those components as a single lease component if certain conditions are met.

2. Land Easements
  - a. The Board decided to change the land easement transition practical expedient to clarify that the expedient applies for all expired or existing land easements that were not accounted for under Topic 840, Leases.
3. Insurance: Targeted Improvements to the Accounting for Long-Duration Contracts
  - a. The Board decided that the existing guidance for the liability for future policy benefits for participating insurance contracts should be retained.
  - b. The Board decided that the amortization method of deferred acquisition costs (DAC) should be simplified and replaced with a principle in which DAC would be amortized on a constant basis over the expected life of the contract.
  - c. The Board decided that the market risk benefit scope should be expanded to include general account deposit products.
  - d. The Board decided that market risk benefits should be measured at fair value and the related gains and losses resulting from the change in fair value should be recognized in net income (except for instrument-specific credit risk whose changes should be recognized in other comprehensive income).
  - e. The Board decided that market risk benefits should be presented separately in the statement of financial position, changes in instrument-specific credit risk should be presented separately in other comprehensive income, and the adjustment relating to updating the liability for future policy benefit measurement assumptions should be presented separately in the statement of operations.
  - f. The Board redeliberated the disclosure requirements making decisions that in some instances added, affirmed, or amended disclosures that were proposed for public comment.
4. Inclusion of the Overnight Index Swap (OIS) Rate based on the Secured Overnight Financing Rate (SOFR) as a Benchmark Interest Rate for Hedge Accounting Purposes
  - a. The Board decided to add the SOFR OIS rate as a benchmark interest rate for fair value hedges of fixed-rate financial instruments and cash flow hedges of forecasted purchases or issuances of fixed-rate financial instruments.

5. Disclosure Framework—Board’s Decision Process.
  - a. The Board decided on the following:
    - i. Retain Appendix A, Decision Questions to Be Considered in Establishing Disclosure Requirements, with introductory language.
    - ii. Remove from the chapter information about the potential effect of changes in (a) general economic conditions or market factors or (b) entity- or sector-specific factors on a line item.
    - iii. Future-oriented information is acceptable for disclosure when it is information about estimates and assumptions used as inputs to measurements; it is not acceptable when it is information about the effect of specified future changes in existing conditions on specific line items.
    - iv. Information about existing plans and strategies should be limited to those that affect recognition and measurement.
    - v. Information about past events and current conditions and circumstances that can affect an entity’s cash flows and information about the reporting entity are suitable for notes.
    - vi. The Concepts Statement would retain the concepts on interim disclosure.
6. Disclosure Framework—Entity’s Decision Process
  - a. The Board decided to amend the current definition of *materiality* in Chapter 3, *Qualitative Characteristics of Useful Accounting Information* (superseded) and remove the reference to materiality as a legal concept in Concepts Statement 8 and Topic 235, Notes to Financial Statements.
  - b. The Board decided not to add language to Concepts Statement 8 that indicates that the definition of materiality may change.
7. The Board is in the final stages of initial deliberations and redeliberations on several other projects, and while the Board made a number of decisions, none of those decisions were individually significant.

## **ITEM 2: PREAGENDA RESEARCH**

### **A. CHANGES TO THE RESEARCH AGENDA**

1. The Board did not make any changes to its research agenda.

## B. SIGNIFICANT RESEARCH ACTIVITIES

1. The Board discussed staff research on:
  - a. Freestanding insurance contracts as part of its ongoing credit losses implementation
  - b. Benchmark interest rates under GAAP and the new rate chosen by the Federal Reserve.
2. The staff performed research on:
  - a. Blockchain technology and cryptocurrencies
  - b. Tax reform issues.

## C. ACTIVITIES OF THE FINANCIAL ACCOUNTING STANDARDS ADVISORY COUNCIL (FASAC) AND FASB ADVISORY COMMITTEES

1. FASAC meetings:
  - a. Seven Board members, the FASB technical director, and several FASB staff members participated in the December 14, 2017 FASAC meeting. The meeting topics discussed were technology in financial reporting, the pace of change and implementation of recent major standards, and segment reporting.
2. The following advisory committee meetings were held:
  - a. A private and public meeting of the Investor Advisory Committee (IAC) was held on November 9, 2017. Six Board members, the FASB technical director, and several FASB staff members participated. The meeting topics focused on the FASB's projects on improving the accounting for asset acquisitions and business combinations, disaggregation of performance information, and a customer's accounting for a cloud computing arrangement (CCA) that is considered a service contract. The IAC also discussed emerging issues and trends, including developments related to tax reform.
  - b. A public meeting of the Small Business Advisory Committee (SBAC) was held on November 30, 2017. Seven Board members and several FASB staff members participated. Topics focused on the FASB's projects on the accounting for certain identifiable assets in a business combination and subsequent accounting for goodwill for public business entities; customer's accounting for implementation, setup, and other upfront costs incurred in a cloud computing arrangement; financial performance reporting, improving the accounting for asset acquisitions and business combinations, and simplifying the balance sheet classification of debt.

SBAC members also discussed the implementation of recent accounting standards and other emerging issues and trends.

3. Advisory committee membership changes:
  - a. Five NAC members were appointed in December 2017 to a four-year term that will begin on January 1, 2018: John D. Griffin, David C. Horne, Kim E. Keenoy, Kimberly K. McKay, and Tammy R. Waymire.

#### D. INTERACTION WITH PRIVATE COMPANY STAKEHOLDERS

1. Public meeting with the Private Company Council (PCC) on December 5, 2017. Five Board members, the technical director, and several FASB staff members participated. The PCC provided input on FASB projects, including financial performance reporting—disaggregation of performance information and nonemployee share-based payments. The PCC also discussed the EITF project on cloud computing.
2. Public meeting with the AICPA’s Auditing Standards Board’s Audit Issues Task Force (AITF) (October). Six Board members, the technical director, and several FASB staff members participated. Topics included the implementation of major accounting standards on revenue recognition, leases, credit impairment, hedging, and financial statement presentation for not-for-profit organizations; the pace of change; and FASB projects on the disclosure framework, simplifying the balance sheet classification of debt, and revenue recognition of grants and contracts by not-for-profit organizations.

#### E. OTHER SIGNIFICANT STAKEHOLDER OUTREACH ACTIVITIES

1. One or more members met with the following industry liaison groups:
  - a. Public meeting with the members of the AICPA Auditing Standards Board’s Audit Issues Task Force in New York (October). Seven Board members, the technical director, and several FASB staff members participated. Topics included the implementation of major accounting standards; accounting estimates; FASB projects on disclosure framework, simplifying the balance sheet classification of debt, revenue recognition of grants and contracts by not-for-profit organizations; supplementary materials, including non-GAAP measures; and AICPA efforts related to the auditors reporting project and special purpose frameworks.
  - b. Private meeting with the members of the American Gas Association and Edison Electric Institute (October). Three Board members, the technical director, and several FASB staff members participated. Topics included industry issues and

trends, the implementation of revenue recognition and leases; FASB projects on cloud computing and performance reporting; and disclosure effectiveness and developments in international accounting for rate regulated activities.

- c. Public meeting with the Institute of Management Accountants Financial Reporting Committee (FRC) (October). Six Board members, the technical director, and several FASB staff members participated. Topics included FASB projects on hedging, disclosure framework (including materiality), targeted improvements to related party guidance for variable interest entities, consolidation reorganization, and the conceptual framework.
- d. Private meeting with members of National Association of Real Estate Investment Trusts (NAREIT) (November). Three Board members, the technical director, and several FASB staff members participated. Topic related to certain aspects of the implementation of the accounting for leases.
- e. Private meeting with the FASB's Academic Resource Group (October). The chairman, five Board members (on a rotational basis), the technical director, and several FASB staff members participated. Topics included definitions of assets and liabilities; definitions of revenues, expenses, gains and losses; and measurement.
- f. Private meeting with the Financial Executives International Committee on Corporate Reporting (CCR) (December). Two Board members participated; topics included the implementation of revenue recognition and leases; FASB projects on distinguishing liabilities from equity, financial performance reporting, segment reporting, cloud computing, and conceptual and disclosure frameworks; and tax reform.

## **F. SIGNIFICANT PROJECT-SPECIFIC OUTREACH ACTIVITIES**

1. Individual meetings with stakeholders:
  - a. The FASB members and staff conducted 75 outreach meetings (19% with investors and other users; 29% with practitioners; 22% with preparers; 8% with regulators; 11% with industry and trade group representatives; and 11% with others, including academics, consultants, and other standard setters) to discuss issues in 20 different FASB and EITF projects.
2. Broad stakeholder outreach through comment letters
  - a. Through comment letters, the Board received feedback from a range of stakeholder types (51% from auditors; 24% from representatives of public

companies, private companies, and not-for-profit organizations; and 25% from professional, trade, and advocacy organizations and others [including state societies, regulators, and other standard setters]) on different FASB and EITF projects.

#### **G. EMERGING ISSUES TASK FORCE (EITF) ACTIVITIES**

1. Four Board members attended the October 12, 2017 EITF meeting. Issue No. 17-A, “Customer’s Accounting for Implementation, Setup, and Other Upfront Costs (Implementation Costs) Incurred in a Cloud Computing Arrangement That Is Considered a Service Contract,” was discussed.

#### **H. INTERNATIONAL ACTIVITIES**

1. Cooperative activities between the FASB and the IASB were as follows:
  - a. Two Board members participated in two meetings of the IASB’s Accounting Standards Advisory Forum in London.
  - b. A Board member participated in the Three-Way Dialogue meeting in London.
2. Cooperative activities among the FASB and other national standards setters included the following:
  - a. A Board member participated in the Corporate Reporting Dialogue/International Integrated Reporting Council meeting in Amsterdam, Netherlands.
  - b. A Board member participated in the 7<sup>th</sup> Symposium on Accounting Research sponsored by the Autorité des Normes Comptables (ANC - French Accounting Standards Authority).

### **ITEM 3: STAKEHOLDER EDUCATION AND COMMUNICATIONS**

#### **A. WEBINARS AND VIDEOS**

1. The FASB held three educational webinars:
  - a. *IN FOCUS*: The New Not-for-Profit Financial Reporting Standard: Get Ready for It! (December 19)
  - b. *IN FOCUS*: FASB Update for Private Companies and Not-for-Profit Organizations (December 15)
  - c. *IN FOCUS*: 2018 GAAP Financial Reporting Taxonomy/Shared Reporting Taxonomy Proposed Improvements and SEC Update (October 3)

2. The FASB posted five featured videos/webinars:
  - a. Investor Podcast: Credit Losses
  - b. Investor Podcast: Hedging
  - c. Update agenda consultation
  - d. Investor Podcast: Revenue Recognition for Health Care Services
  - e. Investor Podcast: Revenue Recognition for Airlines.

**B. SPEECHES DELIVERED**

1. FASB members or staff delivered more than 50 speeches at different conferences. The more significant conferences follow:
  - a. AICPA Conference on Current SEC and PCAOB Developments
  - b. AICPA Conference on Credit Unions
  - c. AICPA Health Care Industry Conference
  - d. AICPA Real Estate and Construction Conference
  - e. AICPA Governmental and Not-for-Profit Training Conference
  - f. Accounting CPE Network Accounting & Auditing Update
  - g. Association of General Contractors/Construction Financial Management Association Conference
  - h. Baruch College Emanuel Saxe Distinguished Lecture in Accounting
  - i. Cooperative Credit Union Association Annual Meeting and Convention
  - j. Federal Reserve Board of Governors Accounting Communication Network Fall Meeting
  - k. Financial Executives International 36<sup>th</sup> Annual Current Financial Reporting Issues Conference
  - l. Moody's Analytics Regulatory Fireside Chat on Current Expected Credit Losses (CECL)/Dodd-Frank Act Stress Testing (DFAST)
  - m. Mortgage Bankers Association Accounting and Financial Management Conference 2017
  - n. Oklahoma State University Accounting and Financial Reporting Conference



- o. Securities Industry and Financial Markets Association (SIFMA) and AICPA National Conference on the Securities Industry
- p. University of Florida/Florida Institute of CPAs Accounting Conference
- q. XBRL US SEC Filer Workshop.

**C. PRESS RELEASES, MEDIA ADVISORIES, AND SOCIAL MEDIA**

- 1. The FASB issued 15 press releases, media advisories, or stakeholder emails on a variety of topics with accompanying social media.

**D. OTHER COMMUNICATIONS ACTIVITIES**

- 1. The 4<sup>th</sup> Quarter FASB Outlook was issued on October 31, 2017.
- 2. BNA video interviews with the FASB chairman and a Board member (Marc Siegel) at the AICPA conference on December 5<sup>th</sup>.
- 3. Interviews, statements, and background interviews on income tax reform and the accounting for income taxes.

**ITEM 4: STRATEGIC, ADMINISTRATIVE, AND PROCEDURAL ACTIVITIES**

**A. STRATEGIC PLAN ACTIVITIES**

- 1. The FASB completed a periodic assessment of certain aspects of its communications—focusing on public meeting communications and the technical project pages on the FASB website. Suggested enhancements will be implemented in future communications. The FASB also completed its review of the efficiency and effectiveness of the U.S. GAAP Taxonomy; an Invitation to Comment was issued earlier in 2017 to seek stakeholder input on this topic.

**B. ADMINISTRATIVE MATTERS**

- 1. None.

**C. PROFESSIONAL DEVELOPMENT PROGRAMS**

- 1. Investor Case Studies.
- 2. How Do Citizens Use Government Financial Reports?
- 3. Blockchain Technology and Cryptocurrencies.

## **ITEM 5: FEDERAL GOVERNMENT AND REGULATORY LIAISON ACTIVITIES**

### **A. REPRESENTATIVES OF CONGRESS AND FEDERAL REGULATORY BODIES**

1. None

## **ITEM 6: FAF/FASB/GASB INTERACTION**

### **A. MEETING MINUTES**

1. GASB and FASB meeting minutes were shared with the FASB and GASB Board members and staff.

### **B. MEETINGS**

1. The FASB and GASB directors met monthly to discuss their technical agenda projects and other matters of mutual interest.
2. The FASB and GASB chairmen and their respective directors held their quarterly meeting to discuss technical issues and other matters of mutual interest.

### **C. DOCUMENT DRAFT REVIEWS**

1. The GASB staff distributed the following drafts to the FASB for review:
  - a. Final Implementation Guide on accounting and financial reporting for postemployment benefits other than pensions (and certain issues related to other postemployment benefits plan reporting)
  - b. Exposure Draft on accounting for interest cost during the period of construction
  - c. Exposure Draft on Implementation Guidance Update—201Y
  - d. Invitation to Comment on revenue and expense recognition.
2. The FASB staff distributed the following drafts to the GASB for review:
  - a. Accounting Standards Update, *Codification Improvements to Topic 995, U.S. Steamship Entities: Elimination of Topic 995*
  - b. Accounting Standards Update, *Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842*

- c. Proposed Accounting Standards Update, *Leases (Topic 842): Targeted Improvements*.

## **ITEM 7: XBRL ACTIVITIES**

The FASB is responsible for the ongoing development and maintenance of the GAAP Financial Reporting Taxonomy (Taxonomy) and, beginning in 2018, the SEC Reporting Taxonomy (SRT) applicable to public issuers registered with the U.S. Securities and Exchange Commission (SEC).

### **A. TECHNICAL ACTIVITIES**

1. The FASB submitted the *U.S. GAAP Financial Reporting Taxonomy, Efficiency and Effectiveness Review Report* to the SEC in response to the SEC Order Regarding Review of FASB Accounting Support Fee for 2017 under Section 109 of the Sarbanes-Oxley Act of 2002 [Securities Act of 1933, Release No. 33-10297/January 31, 2017; Securities Exchange Act of 1934, Release No. 34-79912/January 31, 2017]). Specifically, the Commission requested “that the FASB conduct an assessment of the efficiency and effectiveness of the U.S. GAAP Financial Reporting Taxonomy and report the findings, including suggested improvements, to the Commission....” The purpose of the report is to provide observations and suggested improvements in response to the request.
2. The FASB released on December 21, 2017, the final 2018 Taxonomy and the SRT to the SEC for acceptance.
3. The FASB published Taxonomy Updates as final for:
  - a. Accounting Standards Update No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*
  - b. Accounting Standards Update No. 2017-13, *Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842): Amendments to SEC Paragraphs Pursuant to the Staff Announcement at the July 20, 2017 EITF Meeting and Rescission of Prior SEC Staff Announcements and Observer Comments*.
  - c. Accounting Standards Update No. 2017-14, *Income Statement—Reporting Comprehensive Income (Topic 220), Revenue Recognition (Topic 605), and Revenue from Contracts with Customers (Topic 606) (Amendments to SEC Paragraphs Pursuant to Staff Accounting Bulletin No. 116 and SEC Release No. 33-10403)*

- d. Accounting Standards Update No. 2017-15, *Codification Improvements to Topic 995, U.S. Steamship Entities: Elimination of Topic 995*.
4. The FASB published Taxonomy Exposure Drafts for:
  - a. Proposed Accounting Standards Update—*Technical Corrections and Improvements to Topic 942, Financial Services—Depository and Lending—Elimination of Certain Guidance for Bad Debt Reserves of Savings and Loans*
  - b. Proposed Accounting Standards Update—*Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842*
5. The FASB published for exposure the following 2018 Taxonomy Implementation Guides:
  - a. Retirement Benefits—Phase 2
  - b. Fair Value Inputs
  - c. Financial Instruments—Debt Securities.

## **B. OUTREACH ACTIVITIES**

1. The more significant Taxonomy-related outreach activities this quarter included the following:
  - a. Presented a webinar “2018 GAAP Financial Reporting Taxonomy/Shared Reporting Taxonomy Proposed Improvements and SEC Update” on October 3, 2017.
  - b. Hosted or participated in meetings of the FASB Taxonomy Advisory Group; industry working groups; the Dimension Working Group; the XBRL US Data Quality Committee; XBRL US Surety Working Group; various XBRL International technical working groups, including the Entity Specific Disclosure Task Force chaired by FASB Chief of Taxonomy Development and IASB Senior Technical Manager—IFRS Taxonomy; the IASB IFRS Taxonomy Consultative Group; and with the SEC Division of Economic and Risk Analysis (DERA) staff.

## Technical Agenda Overview

Revised February 12, 2018

<b>FRAMEWORK PROJECTS</b>	<b>Current Stage</b>	<b>Timing</b>
Conceptual Framework: Elements	Initial deliberations	
Conceptual Framework: Measurement	Initial deliberations	
Conceptual Framework: Presentation	ED redeliberations	
Disclosure Framework: Board's Decision Process	ED redeliberations	

<b>RECOGNITION &amp; MEASUREMENT: BROAD PROJECT</b>	<b>Current Stage</b>	<b>Timing</b>
Distinguishing Liabilities from Equity (including convertible debt)	Initial deliberations	
Insurance: Targeted Improvements to the Accounting for Long-Duration Contracts	ED redeliberations	

<b>RECOGNITION &amp; MEASUREMENT: NARROW PROJECTS</b>	<b>Current Stage</b>	<b>Timing</b>
Codification Improvements ( <i>formally referred to as Technical Corrections and Improvements</i> )	ED redeliberations	
Codification Improvements—Elimination of Certain Outdated Special Guidance in Subtopic 942-740 for Bad Debt Reserves of Savings and Loans	ED redeliberations	
Collaborative Arrangements: Targeted Improvements	Initial deliberations	
Consolidation Reorganization and Targeted Improvements	ED redeliberations	
Consolidation Targeted Improvements to Related Party Guidance for Variable Interest Entities	ED redeliberations	
Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is Considered a Service Contract (EITF 17-A)	Drafting ED	<b>Q1 2018</b>
Improving the Accounting for Asset Acquisitions and Business Combinations ( <i>phase 3 of the Definition of a Business project</i> )	Initial deliberations	
Inclusion of the Secured Overnight Financing Rate Swap Rate as a Benchmark Interest Rate for Hedge Accounting Purposes	Drafting ED	<b>Q1 2018</b>
Leases—Targeted Amendments to Topic 842	ED out for public comment	<b>Ends Feb 5, 2018</b>

<b>RECOGNITION &amp; MEASUREMENT: NARROW PROJECTS</b> (continued)	<b>Current Stage</b>	<b>Timing</b>
Nonemployee Share-Based Payment Accounting Improvements	Drafting final standard	<b>Q1 2018</b>
Revenue Recognition of Grants and Contracts by Not-for-Profit Entities	ED redeliberations	
Technical Corrections and Improvements—Financial Instruments Recognition & Measurement	Drafting final standard	<b>Q1 2018</b>
Technical Corrections and Improvements—Leases	Drafting final standard	<b>Q1 2018</b>

<b>PRESENTATION &amp; DISCLOSURE PROJECTS</b>	<b>Current Stage</b>	<b>Timing</b>
Disclosure Framework: Disclosure Review—Defined Benefit Plans	ED redeliberations	
Disclosure Framework: Disclosure Review—Fair Value Measurement	ED redeliberations	
Disclosure Framework: Disclosure Review—Income Taxes	ED redeliberations	
Disclosure Framework: Disclosure Review—Inventory	ED redeliberations	
Disclosure Framework: Disclosures—Interim Reporting	Initial deliberations	
Disclosure Framework: Entity’s Decision Process	ED redeliberations	
Disclosures by Business Entities about Government Assistance	ED redeliberations	
Financial Performance Reporting—Disaggregation of Performance Information	Initial deliberations	
Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income	ED out for public comment	<b>Ends Feb 2, 2018</b>
Segment Reporting	Initial deliberations	
Simplifying the Balance Sheet Classification of Debt	Drafting final standard	<b>Q2 2018</b>

<b>RESEARCH PROJECTS</b>
Accounting for Certain Identifiable Intangible Assets in a Business Combination and Subsequent Accounting for Goodwill for Public Business Entities and Not-for-Profits
Disclosure Review—Intangibles, Share-based Payment, and Foreign Currency
Financial Performance Reporting: Financial Statements of Not-for-Profit Entities Structure of the Performance Statement
Income Taxes—Backward Tracing
Inventory and Cost of Sales
Simplifications to Accounting for Income Taxes
Targeted Improvements to the Statement of Cash Flows