

REPORT OF THE CHAIRMAN OF THE FASB
TO THE FINANCIAL ACCOUNTING FOUNDATION
May 1, 2007 through July 31, 2007

ITEM 1: TECHNICAL ACTIVITIES

BOARD AND STAFF ACTIVITIES

- a. The following documents were issued and posted to the website:

Final Documents

1. Final FSP FIN 48-1, "Definition of *Settlement* in FASB Interpretation No. 48" (May 2, 2007).
2. Final FSP FIN 46(R)-7, "Application of FASB Interpretation No. 46(R) to Investment Companies" (May 11, 2007)

Exposure Drafts and Other Proposals

1. Proposed FASB Statement 133 Implementation Issue No. E23, "Issues Involving the Application of the *Shortcut Method* under Paragraph 68" (July 23, 2007)
2. Proposed FSP FAS 140-d, "Accounting for Transfers of Financial Assets and Repurchase Financing Transactions" (July 24, 2007)

- b. The following projects were added to the Board's technical agenda:

1. Accounting for Derivative Instruments and Hedging Activities (May 23, 2007)
2. Omnibus Changes to Consolidation and Equity Method Guidance for Not-for-Profit Organizations (July 18, 2007)
3. Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement) (July 25, 2007)

- c. The Board deferred activities on Statement 133 Implementation Issue No. C21 pending resolution by the EITF in Issue 07-E, "Determining Whether an Instrument Is Indexed to a Company's Own Stock."

- d. Seven Board members participated in the May meeting of the User Advisory Committee.

- e. Six Board members participated in the June EITF meeting.

- f. At the June 27, 2007 Board meeting, the Board ratified the consensuses reached at the June 14, 2007 EITF meeting on Issues No. 06-11, "Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards," and No.07-3, "Accounting for Nonrefundable Advance Payments for Goods or Services Received for Use in Future Research and Development Activities."

- g. Various FASB staff members attended an AcSEC meeting.
- h. Seven Board members participated in the June meeting of the Financial Accounting Standards Advisory Council.
- i. Seven Board members participated in the June meeting of the Small Business Advisory Committee.
- j. The Investors Technical Advisory Committee (ITAC) submitted comment letters on the Derivatives Disclosures project and the Conceptual Framework: Qualitative Characteristics project as well as the Invitation to Comment, *Valuation Guidance for Financial Reporting*. The ITAC held meetings in March and June at which it established working groups that provided input on various topics, including Financial Statement Presentation, the Fair Value of Financial Instruments, Derivatives Disclosures, Lease Accounting and Disclosure Framework.
- k. Seven Board members, the director of TA&I, and staff met with representatives from FEI/CCR to discuss matters of mutual interest.
- l. A Board member and two staff members met with a representative from Revenue Watch Institute (RWI) to discuss RWI's efforts at improving accountability in natural resource-rich countries by equipping citizens with financial information they need to become more effective monitors of government revenues and expenditures.
- m. Board members and staff participated in the eighth FASB Faculty Program. Ten faculty members from leading universities attended this program and observed and participated in a variety of events, including staff and Board presentations about the organization and certain agenda projects, the Board meeting, and a portion of the ITAC meeting.
- n. Two Board members, the director of MP&T, and staff met with Financial Accounting Standards Research Initiative members to discuss research initiatives with a focus on the Financial Statement Presentation project.
- o. The director of TA&I and staff met with several representatives (CFOs from member companies) from the Association of Financial Guaranty Insurers about the Exposure Draft, *Accounting for Financial Guarantee Insurance Contracts*.
- p. The director of TA&I and staff participated in an XBRL training session.
- q. The staff met with several representatives from the International Credit Insurance and Surety Association about the Exposure Draft, *Accounting for Financial Guarantee Insurance Contracts*.
- r. One Board member, the director of TA&I, and staff met with representatives of the Investment Company Institute to discuss implementation guidance relating to FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*.

- s. Three Board members, the director of TA&I, and staff met with the SEC, regulators, and constituents on the issues involved in modifying securitized residential mortgage loans.
- t. Two Board members and the director of TA&I met with the senior technical partners of the Big Four Accounting firms to discuss current reporting issues.
- u. Two Board members met with the CFO, Controller, and other representatives of PepsiCo to discuss current reporting topics.
- v. Two Board members, four IASB members, the director of MP&T, and staff from both the FASB and IASB met (or participated via teleconference) with representatives of the Equipment Leasing Finance Association to discuss a white paper developed by the ELFA (and other leasing representative bodies around the world), which describes several issues raised by the joint lease accounting project.
- w. Two staff members held the first of two calls with NACUBO to discuss the possible accounting ramifications of changes to the model law governing the endowment funds management (the Uniform Prudent Management of Institutional Funds Act of 2006).
- x. Two staff members visited a potential participant in the financial statement presentation recasting exercise to discuss the participant's questions and concerns related to that exercise.

INTERNATIONAL ACTIVITIES

- a. A Board member participated in the IASC Foundation Conference in Zurich.
- b. Two Board members and the director of MP&T met with the Accounting Standards Board of Japan in Tokyo.
- c. Two Board members and the director of MP&T participated in a conference on convergence of accounting standards internationally sponsored by the Korean Accounting Standards Board.
- d. Three Board members and the director of MP&T participated in a closed meeting in Norwalk with the Accounting Regulatory Department (ARD) of the Ministry of Finance-China. The two sides agreed to pursue a secondment arrangement through which an ARD staff member would spend a year to 18 months at the FASB assigned to a joint project. The two groups also agreed to study further ways of enhancing communication and cooperation toward convergence.
- e. FASB staff participated in IASB Board meetings and discussed various technical issues on the Boards' joint projects on business combinations, the conceptual framework, short-term convergence, leases, and financial statement presentation.

OTHER ACTIVITIES

- a. The following professional development sessions were presented to the Board and staff:
 1. Kevin McBeth, FASB Project Manager, Conceptual Framework Lunch & Learn, updated the staff on progress in the measurement phase of the Conceptual Framework project.
 2. Alan Goodman, Master Trainer for the Institute for Global Ethics, and Leon Young, Associate Professor at the University of Maryland University College, AGA Audio Conference: Ethical Challenges in Today's Government Environment. This audio conference explored how the power and scope of today's advancing technology can leverage ethical decisions and other ethical challenges that may impact one's career and organization.
 3. Paul Glotzer, FASB Project Manager, provided an overview of the private company accounting financial reporting initiative. He discussed attributes of small private companies and the relationship of the private company financial reporting initiative to the standard-setting process.
 4. Ron Bossio, FASB Senior Project Manager, and Ann Benson, FASB Postgraduate Technical Assistant, Conceptual Framework Lunch & Learn—Authoritative Status of the Framework, updated the staff on Board considerations about the possible elevation of the conceptual framework within the GAAP hierarchy and discussed implications for preparers, auditors, and standards setters.
 5. Ed Trott, FASB Board Member, Departing FASB Board Member Roundtable gave his reflections on the accomplishments and challenges during his term as a member of the Board.
 6. Frank Keck, Rockhurst University Continuing Education Center, Strengthening People Skills in the Workplace and Speaking with Confidence and Conviction. This course provided an opportunity for the staff of the FASB, GASB, and FAF to sharpen essential skills for understanding, relating to, and working with all types of people within the organization, from the administrative staff to the Board members.

EXTERNAL CONFERENCES

- a. Staff members attended the following conferences:
 1. The 6th Annual Financial Reporting Conference at the Robert Zicklin Center for Corporate Integrity
 2. The Mid-year Reporting Forum at the SEC Institute
 3. The 14th Annual Consultant's Conference Sponsored by the National Association of Certified Valuation Analysts
 4. The Annual AICPA Nonprofit Conference

ITEM 2: ADMINISTRATIVE AND STRATEGIC ACTIVITIES

- a. The Board and one director attended the May FAF Trustees meeting.
- b. The FASB Staff Structure Review Committee held four meetings in the second quarter to identify issues and to explore potential options for changing the staff structure to improve its efficiency and effectiveness. Written evaluations of the issues and potential solutions were received from almost 40 Board and staff members. The committee held six meetings to summarize the issues, identify the core problems, and propose tentative changes in staff structure to address those problems. A final report with the committee's recommendations will be delivered to the Board chairman in the third quarter of this year.
- c. The chairman and various senior staff members participated in internal meetings and calls relating to the strategic plan and to XBRL.

ITEM 3: WASHINGTON ACTIVITIES

- a. A staff member 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.
- b. The chairman participated in a press conference with the Chairman of the SEC and the PCAOB concerning the establishment of an SEC Advisory Committee on improvements in financial reporting.
- c. The chairman met with officials of the Department of the Treasury to discuss issues relating to complexity in financial accounting and reporting.
- d. The chairman met with representatives of Washington, DC-based trade associations to discuss complexity in financial accounting and reporting and convergence of international financial accounting and reporting standards.
- e. The chairman, a Board member, 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.

ITEM 4: SPEECHES DELIVERED

Principal platforms addressed by the Board and staff members during the May 2007 through July 2007 period included:

- AICPA National Advanced Accounting & Auditing Technical Symposium
- AICPA Not-for-Profit Organizations Conference
- American Association of Petroleum Geologists & Society of Petroleum Engineers
- American Bankers Association – ABA CFO Exchange

- ASF
- Annual SEC and Financial Reporting Conference
- Bank Administration Institute's CFO Roundtable
- Baruch College Financial Reporting Conference
- Chamber of Commerce, Washington, DC
- Chatham House – The Royal Institute of International Affairs
- Connecticut Society of CPAs, Annual Accounting and Auditing Conference
- Edison Electric Institute & American Gas Association
- FEI Chapter Meeting
- Financial Research Associates 3rd Annual HF Accounting Forum
- FSA Faculty Consortium
- Houston CPA Society
- IFRS Interpretations Group, Grant Thornton
- IMA Annual Conference
- Institutional Investor
- KASB/ASBJ
- Massachusetts Society of CPAs
- NIRI
- PricewaterhouseCoopers University for Faculty
- University of Michigan
- University of Pennsylvania 10th Annual Financial Risk Roundtable 2007
- University of Washington
- Worldwide Business Research

ITEM 5: ADDITIONAL COMMUNICATIONS ACTIVITIES

- a. The FASB, through the Communications Department, issued the following five press releases: Financial Accounting Standards Board Meets with Accounting Standards Board of Japan to Discuss Global Convergence (June 6, 2007); Financial Accounting Standards Board to Form Resource Group on Valuation Guidance Issues (June 21, 2007); FASB Issues Statement Expressing Strong Support for SEC Advisory Committee on Improvements to Financial Reporting (June 27, 2007); FASB Issues Proposal to Clarify the "Shortcut Method" of Hedge Accounting (July 24, 2007); and FASB Issues Proposed Staff Position on FAS 140-d, *Accounting for Transfers of Financial Assets and Repurchase Financing Transactions* (July 25, 2007). In addition, on July 2, the FASB issued and posted a statement on its website reiterating its commitment to the convergence of high-quality accounting standards through its partnership with the IASB on the Financial Statement Presentation project.
- b. In July, communications staff met with Gerard Carney of Fleishman Hillard, who drafted a communications strategy focused on developing overarching FASB themes, ways of tying these themes into FASB project messaging, and outreach strategies for communicating these themes (collateral materials, FASB Report, third-party endorsers, media outreach, Chairman's Special Report, quarterly letters, webcasting).

- c. Media outreach and development of communications materials and talking points focused on the following: Financial Statement Presentation project as it relates to convergence goals; Lease Accounting; and Codification.
- 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 from Accountancy Age; Accounting Today; American Banker; AP; Asset Securitization Report; Bloomberg; Bureau of National Affairs (BNA); Business Week; CFO.com; Compliance Alert; Compliance Reporter; Compliance Week; Connecticut Post; Derivatives Week; Financial & Accounting Executive; Financial Times; FT.com; Financial Week; Journal of Accounting; National Law Journal; Policy & Communications Advisor; Practical Accountant Magazine; Prospect News; Risk Magazine; The Accountant; The Wall Street Journal; Thompson Accounting and Compliance; and the Times of London.
- e. Two issues of *The FASB Report*, the FASB's monthly newsletter, were produced and distributed. Topics included FASAC's March meeting and new appointments to the FASAC; Q and A interview with FASAC Chairman Dennis Chookaszian; Q and A interview with departing Board member Ed Trott; and an article about FASB meetings with global standard setters from Japan, Korea, and China.

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, *Business Combinations*
 - Final Statement, *Accounting and Reporting of Noncontrolling Interests in Consolidated Financial Statements*
 - Proposed FSP FAS 140-d, "Accounting for Transfers of Financial Assets and Repurchase Financing Transactions"
 - Proposed Statement 133 Implementation Issue No. E23, "Issues Involving the Application of the *Shortcut Method* under Paragraph 68"
 - Preliminary Views, *Conceptual Framework—Reporting Entity*
 - Invitation to Comment, *An FASB Agenda Proposal: Accounting for Insurance Contracts by Insurers and Policyholders, Including the IASB Discussion Paper, Preliminary Views on Insurance Contracts*
- e. The FASB staff received the following GASB drafts for review:

- Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*
- Exposure Draft, *Accounting and Financial Reporting for Derivative Instruments*