



Financial Accounting Standards Board

PCAOB SAG 3/24/11 Meeting

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Board Member

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Disclaimer

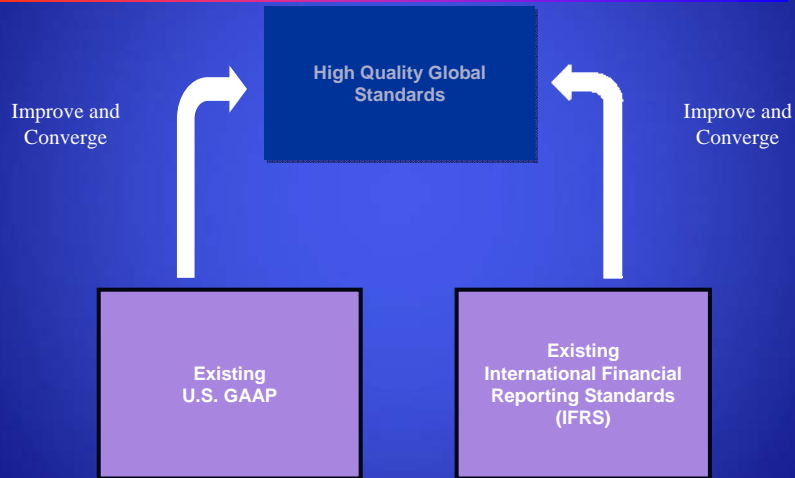
The views expressed in this presentation are my own and do not represent positions of the Financial Accounting Standards Board.

Positions of the FASB are arrived at only after extensive due process and deliberation.

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FASB/IASB Convergence Objective



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Overall Goal of FASB in Pursuing Convergence

Improved, high-quality, converged standards developed through rigorous due process

Priorities:

1. *Maintain independent process*
2. *Improve financial reporting in US*
3. *Reach consistent answers w/IFRS*

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Joint Projects

- Accounting for Financial Instruments/Offsetting
- Leases
- Revenue Recognition
- Insurance
- Consolidation
- Discontinued Operations
- Emissions Trading
- Financial Instruments with Characteristics of Equity
- Financial Statement Presentation
- Fair Value Measurement

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FASB Only Projects

- Troubled Debt Restructurings
- Disclosure of Certain Loss Contingencies
- Disclosures about an Employer's Participation in a Multiemployer Plan
- Investment Properties
- Disclosure Framework
- Disclosures about Risks and Uncertainties and the Liquidation Basis of Accounting (aka Going Concern)
- Goodwill Impairment Assessments

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Transition and Effective Date Discussion Paper

■ Consistent Feedback

- *Implementation will be costly and time-consuming*
- *Broader impact on business, regulatory and tax arrangements*
- *Support for early application*

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Transition and Effective Date Discussion Paper

■ Different views

- *Implementation approach (single date vs sequential)*
 - ❖ IFRS-strong preference for single date
 - ❖ FASB-Split view
- *Transition methods*
 - ❖ IFRS tend to agree with proposed methods
 - ❖ FASB tend to support prospective (except users)

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Areas of Judgment Identified in July-Financial Instruments

<u>Area Identified</u>	<u>Tentative Redeliberated Position</u>
•Business model – tainting	No change
•Expanded use of fair value	Amortized cost category
•Core deposits at “current value”	Cost plus accrued interest
•Liabilities amortized cost exception	Concept eliminated
•No probable threshold for impairment	No change
•Cash collections in excess of accrual	Not yet addressed
•Assessment of hedge effectiveness	Not yet addressed

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Areas of Judgment Identified in July-Revenue Recognition

<u>Area Identified</u>	<u>Tentative Redeliberated Position</u>
•When to combine/separate contracts	New indicators (e.g., at or near the same time)
•Determining the transaction price	Not yet addressed
•Allocation of transaction price to Pos	Not yet addressed
•Assessing satisfaction of Pos	Clarification of service arrangements

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Areas of Judgment Identified in July-Leases and Consol'n

<u>Area Identified</u>	<u>Tentative Redeliberated Position</u>
<u>Leases</u>	
•Options to renew/cancel	Significant economic incentive
•Contingent rents	Required when index or disguised lease payment
•Separating lease from service	Still working on developing application guidance
<u>Consolidations</u>	
•Assessing control/power	FASB maintained existing voting interest model

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