

2004 Annual FASAC Survey

Priorities of the Financial Accounting Standards Board

July 2004



Financial Accounting Standards Advisory Council

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2004 SURVEY ON THE PRIORITIES OF THE FASB

Financial Accounting Standards Advisory Council
July 2004



This survey solicits Council members' views on:

- ◆ The FASB's priorities
- ◆ Future financial reporting issues
- ◆ International convergence
- ◆ Differential accounting standards for certain entities
- ◆ The priority of a codification of U.S. GAAP.

Your response is requested no later than **Friday, August 27, 2004.**

Please respond to this survey in one of the following ways:

- ◆ Via e-mail to tspolley@f-a-f.org
- ◆ Via fax to the attention of Teresa Polley (203) 849-9470
- ◆ Via regular or express mail to:
Teresa S. Polley
Executive Director
Financial Accounting Standards Advisory Council
401 Merritt 7, Box 5116
Norwalk, CT 06856-5116

Please provide the following information with your response. Respondents' names and affiliations are included in the summary of responses to the survey.

Name: _____

Title: _____

Company: _____

Address: _____

Phone: _____

E-mail address: _____

Section A—The FASB's Priorities

The Board believes it is appropriate to take a fresh look at its agenda each year. Given the current environment, consider the accounting and financial reporting issues that are the most challenging for entities, boards of directors, and investors. If the FASB was setting its agenda today, what are the five most important issues the Board should address? Please be as specific as possible and give the reasons for your response.

The Board's July 1 technical plan provides details on the items currently on the Board's agenda and may be helpful as a reference tool. However, your response is not limited to those items. You can access the technical plan on the FASB website, www.fasb.org/project/index.shtml.

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Considering the priorities you have identified above, are there projects currently on the Board's agenda that should be removed so that the Board can devote resources to your identified priorities? (See the previous page about how to access the Board's technical plan on the FASB website.) If so, please identify the project (or projects) that you believe should be removed from the Board's agenda.

Section B—Future Financial Reporting Issues

In Section A, the survey asked for views on the most important accounting and financial reporting issues that the Board should have on its agenda now. The Board also wants to look to the future and become aware of potential financial reporting issues before practices become entrenched.

In what specific areas do you foresee potential accounting and financial reporting issues?

Are there specific business, industry, or economic trends that might give rise to financial reporting issues? What are they?

Section C—International Convergence

In April 2004, the FASB and the International Accounting Standards Board (IASB) held their third joint meeting and discussed how the Boards might achieve their mission of improving financial reporting by more closely coordinating their activities. Neither Board made any agenda decisions at that meeting; however, the Boards discussed projects on their existing agendas as well as possible future projects. For example, the Boards agreed to consider working together on the existing FASB project on liabilities and equity and the IASB project on accounting for insurance contracts (the FASB does not have such a project on its agenda currently). In addition, the Boards discussed potential major projects that might be added to the joint agenda at a future date. Some possible candidates are leasing, employee benefits, and intangible assets.

In Section A of this survey, we asked you to list the five most important issues that the Board should address today. In assigning a priority to those issues, would you assign a higher priority to issues that would provide the opportunity to achieve international convergence?

How heavily should the FASB weigh international convergence considerations in making agenda decisions? Should the FASB, without compelling domestic reasons to do so, necessarily add a project to its agenda because the IASB does?

Consider the following. The IASB addresses an issue for which U.S. GAAP already exists. The IASB develops what most would consider a superior solution than current U.S. GAAP. If the FASB changed U.S. GAAP to the IASB's solution, higher quality financial reporting would result, as would convergence. However, the change would impose significant costs on the U.S. financial reporting system in the form of implementation costs, systems changes, and costs to rearrange or renegotiate existing commercial arrangements. How should the FASB weigh the costs versus the benefits in deciding to add a convergence project to its agenda? Is it ever appropriate to forgo the opportunity to converge to a higher quality solution? If so, under what circumstances?

Section D—Differential Accounting Standards for Certain Entities

In the current post-scandal, Sarbanes-Oxley environment, much attention has focused on the accounting and financial reporting issues of large, publicly held entities. Those issues tend to be complex, and the standards that address those issues tend to be complex as well, resulting in significant costs of compliance. Those costs tend to fall disproportionately on smaller entities that may not have access to the same level of technical resources that larger entities do.

In June 2004, the IASB issued a Discussion Paper, *Preliminary Views on Accounting Standards for Small and Medium-sized Entities*. That Discussion Paper seeks comment on issues relating to whether small and medium-sized entities (SMEs) should be required to follow International Financial Reporting Standards (IFRS) as they exist today or whether the IASB should develop separate standards for those entities.

Similarly, the AICPA recently developed a discussion paper on private company financial reporting. In June, the AICPA posted a survey to its website seeking input on whether general-purpose GAAP financial statements of privately held for-profit entities meet the needs of stakeholders of privately owned companies.

The Board is interested in the IASB's and AICPA's efforts to consider this issue and seeks your input on the following questions related to this issue.

Do you believe it would be appropriate for the FASB to issue differential accounting and financial reporting standards for certain entities, such as privately held entities or SMEs? Why or why not?

If you believe it would be appropriate for the Board to issue differential standards, what type or types of entities should be eligible to apply such standards? For example, should all privately held entities be eligible to apply differential standards? Should the size of an entity be a factor in determining eligibility?

If the FASB issued differential standards for certain entities, should the standards differ only in disclosure requirements, or should the standards differ in terms of recognition and measurement criteria for those entities?

Should the FASB devote staff resources to further study of this issue?

Section E—The Priority of a Codification of U.S. GAAP

For several years, FASAC members have expressed support for the Board to pursue a project to codify and simplify GAAP. In particular, Council members have suggested that one of the more pressing issues for the Board to remedy is the lack of retrievability of all accounting literature.

In 2004, the FASB initiated a consulting project to further study the need and the support for a comprehensive and integrated codification of the U.S. GAAP literature. As part of that project, the Board surveyed preparers of financial statements as well as public accounting partners, managers, and senior staff. The Board received responses from over 1,400 participants, 95 percent of whom expressed support for the Board to pursue a very major project to codify the U.S. GAAP literature. As a result, the FASB has agreed to pursue this initiative.

The project would create a codification (and a related searchable database) of all authoritative U.S. GAAP in one source, topically organized by subject area. Each topical section would contain a rewrite of all existing FASB, EITF, and AICPA authoritative U.S. GAAP literature, and also would include SEC literature. The codification would become the authoritative source of U.S. GAAP and would eliminate the substantial number of documents that an individual must access now to resolve an accounting issues.

During the course of the codification project, the Board expects to discover issues, such as conflicts within the literature, that may need to be addressed through its due process procedures. The FASB considers such issues to be of urgent priority to complete the codification project in a timely manner. The FASB believes that it will be necessary to dedicate Board member time and technical staff resources to resolve those issues on a timely basis. Doing so likely will divert resources from other ongoing technical projects.

Consider the priority of the issues you included in your response to Section A of this survey. Do you believe that the Board's work on the codification should be a priority, even though it may delay other projects? Why or why not?
