

MEMORANDUM

May 17, 1989

TO: Chairman Ruder
FROM: Edmund Coulson
RE: May 5, 1989 Letter From Phil Chenok (AICPA)
Re: Proposed Symposium on Financial Reporting
and Standard Setting

I have reviewed the attached letter and believe that it is probably something that is worth participating in and supporting. It is basically an idea put forth by Denny Beresford in response to the Business Roundtable concern. He feels it is a good idea to get a diverse group, including CEOs, together in a structured and more balanced forum to exchange views and brainstorm ideas for improvement. Precedent for this concept can be formed in the so-called Seaview Symposium, which was held in the mid-1970s and thought by most to be constructive.

The suggested topics are obviously designed to get to the basic concern expressed by the Business Roundtable (I would suggest more focus on international issues). The suggested participants reflect heavy representation from the business community, and I would suggest a few more user/analyst representatives and Al Sommer (POB Chairman).

In sum, I believe that if such a symposium is held the SEC should participate and this should include at least the Chief Accountant and a Commissioner.

I would be pleased to follow-up directly with Phil if you would like.

Attachment

*Ed - please draft a letter
for my signature. * after ~~it~~
is sent you can follow up
* with names*



American Institute of Certified Public Accountants

1211 Avenue of the Americas
New York, NY 10036-8775
(212) 575 6200 Telex: 70-3396
Telecopier (212) 575-3846

PHILIP B. CHENOK
President

May 5, 1989

CHAIRMAN'S OFFICE
RECEIVED

MAY 8 1989
35784
SEC. & EXCH. COM.

Mr. David Ruder
Chairman
United States Securities
and Exchange Commission
450 Fifth Street, N.W.
Washington, DC 20549

Dear David:

The AICPA is interested in sponsoring a symposium on financial reporting and standard setting at which a number of current issues can be addressed. As described further in the attached "working paper," concerns have been expressed in the last year by many parties about the pace of change, complexity, relevance and other aspects of financial reporting. Russell Palmer, Dean of the Wharton School of Business, has agreed to chair the symposium and host it at Wharton. Others who have joined in developing some initial ideas for such a symposium are:

Joseph Melone, President, The Prudential Insurance Company
Shaun O'Malley, Chairman, Price Waterhouse
Dennis Beresford, Chairman, Financial Accounting Standards Board

The next step in our planning process is to seek advice from a few key individuals about the plan for the symposium. Thus, I am writing to ask for your views on:

1. Whether you believe such a symposium would be useful;
2. The specific details as outlined in the working paper.

We would also like to know, on a very tentative basis, whether you would be willing to attend the meeting, assuming an appropriate date is selected late in 1989. Also, we would appreciate your suggestions of names of others who might be invited.

Mr. David Ruder
May 5, 1989
Page Two

Those of us involved in the preliminary planning for this symposium believe it can be a very valuable opportunity for those interested in sound financial reporting to share their thoughts. Please write or call me with your reaction to this proposal at 212-575-5577.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Phil", written in dark ink.

Philip B. Chenok

PBC:lr
Attachment

This letter was sent to the following individuals:

Charles Bowsher, Comptroller General of the United States

Robert Moore, President, Financial Executives Institute

Gerhard Mueller, President, American Accounting Association

John Reed, The Business Roundtable

David Ruder, Chairman, United States Securities and Exchange
Commission

Working Paper
A Plan for a Symposium on
Financial Reporting and Standard Setting

The FASB was established 15 years ago based in large part on the recommendations of the Wheat Committee. We now have significant experience with the operation of a full-time private-sector organization setting standards to define financial reporting requirements (generally accepted accounting principles).

The FASB has developed and published a conceptual framework that provides general guidance as it deals with individual technical issues. The Board also has developed extensive "due process" and "sunshine" operating procedures it follows to ensure that anyone interested in financial reporting has the opportunity to follow and comment on each technical project.

Several aspects of the arrangement have been modified over the years, and there have been indications of continuing support for the organization. But there also is evidence that there has been some erosion of that support, particularly within the preparer community. Perhaps it is now time for a selected group concerned with financial reporting to review how well the Board and its related entities have met the expectations of those who established the structure and to update those expectations for the future. Perhaps it is time for a fresh look at financial reporting and standards in the broadest sense with emphasis on setting the future course to help ensure the relevance of financial reporting.

This working paper is a proposal for such a financial reporting symposium. The objectives of the meeting are: (1) to give those charged with responsibility to oversee and operate the standard-setting process the benefit of insights and advice of leaders of the business, investment, accounting and governmental communities regarding FASB structure and effectiveness and (2) to discuss the role of financial reporting and of how standard setting should operate to support and enhance that role.

Arrangements and Participants

The meeting will be sponsored by the AICPA. It will be held in the late fall of 1989 at the conference center at the Wharton School. A group of about 35 active participants is anticipated, with perhaps some additional invited observers. It is important that participants be representative of the several constituencies interested in financial reporting and that they be from the top policy making levels. Participants could include:

- o The President and the Chairman of the Board of Directors of the AICPA
- o The Chairman, one other Commissioner, and the Chief Accountant of the SEC
- o Six Chief Executive Officers, including the Chairman of the Accounting Principles Task Force of the Business Roundtable
- o Three members of Boards of Directors who are not active corporate managers
- o Six Managing Partners of accounting firms

- o A representative from the Financial Executives Institute, the National Association of Accountants, the Robert Morris Associates, the Financial Analysts Federation, and the Securities Industry Association
- o The Comptroller General of the United States
- o Three noted accounting academicians
- o The President of the Financial Accounting Foundation and one or two other trustees
- o The Chairman and Vice Chairman of the FASB
- o The Chairman of FASAC
- o The Chairman of the International Accounting Standards Committee

The invitations would emphasize that substitutes would not be permitted to participate for invitees.

Discussion Papers

To focus the discussion a participant would be selected to author a brief discussion paper on each of the major topics of the meeting. Considering the range of backgrounds of participants, these discussion papers should be expressed in non-technical terms. Of course, other members of the participant's organization might be called on to do much of the actual research and drafting of such a paper.

All papers would be distributed to all participants several weeks prior to the meeting. Participants would be asked to respond to the discussion papers before the meeting by means of a brief questionnaire. The results of the premeeting survey

would be summarized before the meeting to help prepare the discussion leaders to focus on the most interesting and controversial issues. We also would consider making the papers available to others for written comment prior to the meeting.

Discussion Topics

Topic I: Financial Reporting

This session would address the following major issues:

1. What are the most important issues to be addressed by standards setters in the near-term and long-term future?
2. What effect will the increasing globalization of the marketplace have on financial reporting?
3. Are the concepts underlying financial reporting appropriate in today's and tomorrow's marketplace? (e.g., Is there too much emphasis on the balance sheet so that the income statement is less meaningful?)

Among the more detailed questions that may fall under this topic are:

- a. Is financial reporting still as relevant as it was thought to be in the 1970s? For example, have the increased volatility and liquidity of markets for currencies, the emergence of new types of financial instruments, merger activity and inflation created a need for changes in financial statements or in financial reports outside financial statements?

- b. How will changes in information processing technology (such as the wide availability of data bases of financial information) change the traditional role of financial reports and financial statements?
- c. Have there been changes in the economic and financial reporting environment since 1973 that call for changes in the structure or operations of standards setting?

Topic II: The FASB, its Mission and Agenda

This session will deal with issues more directly related to the FASB's activities, including:

1. Is the Board achieving the right balance between the theoretical and the practical? (And what do those terms mean?)
2. Is the FASB's mission statement appropriate? If so, has the Board been fulfilling its stated mission?
3. Is the role played by the Financial Accounting Foundation appropriate in today's environment?
4. How is the Board's agenda set? How should it be set?

Among the more detailed questions that may fall under this topic are:

- a. What were the reasons for establishment of the FASB? Has the Board been responsive to problems perceived when it was established?
- b. Should the Board be devoting more effort to defining and obtaining consensuses on the underlying concepts of financial reporting?

- c. A specific objective included in the mission statement is neutrality of the information in financial reports. A frequent line of comment on Board projects deals with the economic consequences of proposed standards. Do these two ideas conflict?
- d. How can the Board better manage the pace of change in financial reporting? How can the Board tell when an appropriate balance has been struck between needed improvements and stability? What are the challenges facing the Board in the future? What actions can be taken to ensure real support for the FASB?

Meeting Agenda

Thursday evening:

Cocktail reception and dinner

Welcome by meeting chairman

Opening comments

This would involve a brief (e.g., 15 minutes each) overview of the two discussion topics presented by the leaders in order to stimulate thinking and allow for a fast start the next day.

Friday:

7:30 Breakfast

8:30-10:15 Breakout discussions with about half the participants discussing each of the two topic areas. The author of each paper would be in

the group for that paper. At the conclusion of these sessions, the author or another member designated by the group should be prepared to summarize the group's discussion to start off the general session on this topic.

10:15-10:45	Coffee break
10:45-12:30	Continue breakout sessions with participants other than the authors of the papers switching to the other topic. (Alternatively, if more time on each topic is desired, the groups could continue on the same topics.)
12:30-1:30	Luncheon
1:30-3:15	General session discussion of Topic I
3:15-3:45	Coffee break
3:45-5:30	General session discussion of Topic II
5:30-6:00	Summary and Wrap up
6:00-7:00	Reception
7:00	Dinner, with no formal address, for those able to stay

Aftermath

The FASB, AICPA, or a representative from Wharton would intend to publish the discussion papers, reviews, and a summary of the proceedings. The FAF or FASB would follow up on any specific ideas for changes that might emerge from the meeting, either by considering such changes themselves where appropriate, or by making sure the ideas are communicated to the trustees or other bodies involved.