



Current issues in financial reporting: a discussion with Bob Herz

Introduction

On June 30 and July 1, 2009, members of the European and North American Audit Committee Leadership Networks, who are audit committee chairs on the boards of leading global public companies typically with over \$10 billion in revenue, met to discuss several topics,¹ including current issues in financial reporting. For that discussion, members were joined by Bob Herz, chairman of the Financial Accounting Standards Board (FASB).² For further information on the networks, see “About this document” on page 10. For a full list of participants, see Appendix 1 on page 11.

Executive summary

During their discussion of financial reporting, meeting participants focused on the current debate in the accounting world and its implications for global standards setting and for individual companies and their auditors. In the course of the discussion, they addressed the following topics, which are covered in more detail on the pages indicated:

- **Fair value and the politics of accounting standards** (*Page 2*)

The current financial and economic crisis has intensified a long-standing debate on fair value accounting and asset impairment, increasing demands for reform. Accounting standards setters have responded to pressure from politicians by adjusting their fair value and impairment standards, and more changes are likely in the coming months. With political interference a possibility for a number of other projects the FASB has undertaken with the International Accounting Standards Board (IASB), Mr. Herz stood firm in defending transparency in financial reporting as the primary objective of accounting standards setters.

- **IFRS: conversion or convergence?** (*Page 6*)

Mr. Herz confirmed that policymakers are generally in favor of the concept of unified, global accounting standards, despite members’ concerns that the economic crisis may be delaying the large-scale project of converging US Generally Accepted Accounting Principles (GAAP) with International Financial Reporting Standards (IFRS). Meeting participants agreed that both companies and regulators are currently distracted by other pressing issues. Within the European Union (EU), which already uses IFRS, there is widespread desire for the United States to do the same, but tensions have also emerged regarding the European commitment to IFRS.

¹ Other summit discussions included “Regulatory and governance reform” and “Risk in emerging markets.” *ViewPoints* for these discussions can be found at http://www.tapestrynetworks.com/networks/net_audit_summit4.html.

² *ViewPoints* reflects the use of a modified version of the Chatham House Rule whereby names of members, guests, and company affiliations are a matter of public record, but comments made by members before and during meetings are not attributed to individuals or corporations. However, Mr. Herz has given permission for his remarks to be attributed. Comments by Mr. Herz and network members are shown in italics.



- **Considerations for companies, audit committees, and auditors** (*Page 8*)

Rapid change and increasing complexity in accounting mean that sound processes for making accounting judgments – and documentation of those processes – are ever more crucial. Such processes can help companies and their auditors withstand regulatory scrutiny. In addition, audit committees can take several specific measures to deal with ongoing change, including increasing education, turning to external auditors for advice, and encouraging better communication between the committee and the full board.

Fair value and the politics of accounting standards

Turning first to an issue that has been at the center of recent debate on financial reporting, meeting participants discussed fair value accounting. While most assets are still valued using historic cost, the new emphasis on more accurate valuations has driven the increasing use of fair value techniques, which rely on market prices (or simulations thereof). The financial crisis, however, has made fair value accounting much more controversial. While fair value has always had its critics, the crisis has underscored the problems with assuming that markets are liquid, and many market participants and observers have blamed fair value accounting for a downward spiral of deteriorating balance sheets and plunging asset values.

Mr. Herz noted that the question of how companies should identify and write down assets that are losing value is key: *“The real issue is impairment. The rules on impairment give companies a lot of leeway in terms of whether it is temporary or permanent, but it is still challenging.”* Having to write down sharply devalued assets has had a major impact on companies, especially financial institutions.

Exacerbating the situation, in Mr. Herz’s view, is the fact that the US government decided not to go ahead last fall with the purchase of distressed assets from banks. Mr. Herz observed, *“The TARP [Troubled Asset Relief Program] was supposed to focus on troubled assets, but soon after being approved, it was focused on capital infusions, so the problem in valuing these assets remained.”*

Another challenging element is the role of US GAAP in banking regulation. Mr. Herz noted that after the savings and loan crisis of the late 1980s, *“bank [regulatory] reporting requirements were tied directly to US GAAP.”* This linkage is driving some bank regulators to attempt crisis-related regulatory relief through changes to accounting standards, when an alternative approach would be to apply separate standards designed specifically for prudential reporting, while leaving financial reporting standards alone.

Standards setters’ responses

Pressure to adjust requirements regarding fair value has been intense for both the FASB and the IASB, which sets the IFRS adopted by the EU and many other countries. The two standards setters have undertaken a variety of initiatives to improve their approaches to fair value and impairment, and some actions have been taken in direct response to specific political demands. In October 2008, for example, the IASB made emergency rule changes that gave banks more freedom in how they value financial instruments, making it

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possible for them to move certain financial instruments from their trading books to their banking books, where they do not have to be valued at the current (sharply lower) market prices.³

At the summit, Mr. Herz described the efforts of his organization and US regulators to respond to the crisis. In the fall of 2008, the US Securities and Exchange Commission (SEC) and the FASB issued guidance on fair value, but as the crisis deepened, politicians demanded more action. After Mr. Herz testified before Congress in March of 2009, the FASB accelerated the development of changes already in the works: *“We issued an exposure draft within days. We then conducted an accelerated, but intensive and robust due process, carefully considered all the input we received, and then issued the new guidance.”*

The result was that companies now have more flexibility to use their internal models, rather than transaction prices, to determine the fair value of illiquid assets. They can also divide the loss from an other-than-temporary impairment (OTTI) so that only the credit-related portion of the loss will be recorded on the income statement.⁴ The latter is a change to how impairments are recognized rather than a change to the actual fair value standard, but its impact on banks may be significant.⁵

More changes are on the way. In May of 2009, the IASB proposed guidance on fair value measurement that included many of the changes made by the FASB in April. Meanwhile, both the FASB and IASB are reviewing the model used to account for certain financial instruments, taking a comprehensive look at how these instruments should be classified and valued. Because of political pressure from the Economic and Financial Affairs Council (ECOFIN), composed of finance and economic ministers of the EU, the IASB moved the issuance of the first of three exposure drafts on financial instruments to July,⁶ proposing a simplified classification scheme that includes just two measurement categories, fair value and amortized cost, for all types of financial instruments.⁷ The FASB expects to issue its proposed model on financial instruments by September.

Meanwhile, stakeholders have raised concerns that the FASB and IASB are diverging in their approaches, which would undermine comparisons.⁸ However, at the summit, Mr. Herz stated that unity is ultimately the goal as FASB’s initial proposals are amended and finalized: *“We will then work to try to get to a good, common solution.”*

The politicization of standards setting

The recent role of political pressure in accounting standards setting has sparked debate about the integrity of the standards-setting process. On the one hand, political interference is not a new phenomenon. As Mr.

³ Jennifer Hughes, “Debate to ease fair value intensifies,” *Financial Times*, October 16, 2008. Available at <http://www.ft.com/cms/s/0/addafcdc-9b19-11dd-a653-000077b07658.html>.

⁴ Ronald D. Orol, “FASB approves more mark-to-market flexibility,” *MarketWatch*, April 2, 2009. Available at <http://www.marketwatch.com/story/fasb-approves-more-mark-market-flexibility>.

⁵ Marie Leone, “Rule Change Lets Banks Reinvent the Past,” *CFO.com*, April 3, 2009. Available at <http://www.cfo.com/article.cfm/13431434>.

⁶ Joe Kirwin, “IASB Argues Speedy Changes to IAS 39 Better for EU Than Adopting FASB Rules,” *Securities Law Daily*, June 10, 2009. Available to subscribers at www.bna.com.

⁷ International Accounting Standards Board, *Snapshot: Financial Instruments: Classification and Measurement* (London: International Accounting Standards Board, 2009). Available at <http://www.iasb.org/NR/rdonlyres/4483EDB9-CAE7-4119-A0FC-C243ECDF32D1/0/snapshot2.pdf>.

⁸ “Reforming fair value,” *Financial Times*, July 22, 2009. Available at <http://www.ft.com/cms/s/1/064e90ca-769a-11de-9877-00144feabdc0.html>.

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Herz emphasized, *“Standards setting is about change, and there are always parties that are not enamored by the change.”* Mr. Herz pointed to the example of stock options expensing, which generated considerable political controversy in the 1990s, and in 2003 – 2006, and took several years to implement.

Nevertheless, today’s controversy around accounting standards contains new elements. Mr. Herz noted, *“The difference this time is [that] there was a sense of panic about the economy and financial system at large. Politicians are worried about the economy and jobs.”* Given the scale of these concerns, the objective of transparency in financial reporting was harder to defend: *“Good reporting may not be a priority in that context for some politicians, understandably.”*

In fact, the financial crisis has raised the question of how standards setters should consider the broader impact of standards on the stability of the financial system and on the health of the overall economy. At the summit, one participant asked, *“When you are looking at changing standards, how do you [assess] the macroeconomic impact? In other words, [how do you balance] purity versus pragmatism?”*

From this perspective, accounting standards setting is not just a technical endeavor with a narrow, uncontroversial objective. Rather, it is at least partially a political exercise that serves a multitude of stakeholders and objectives, and the political aspect of the endeavor naturally spurs governments to intervene to represent particular stakeholders and to ensure that the standards do not favor anyone unfairly or jeopardize the overall economy.

In discussions to prepare for the meeting, some members were sympathetic to this view. In any case, most members saw the intrusion of politics into accounting as inevitable. Another member noted, *“The FASB process will get politicized because the people excluded will find ways to get around the system.”*

A heightened propensity among politicians and interest groups to scrutinize accounting standards is worrisome for standards setters because fair value is only one of many accounting issues that could invite political intervention. The FASB and IASB are currently working on a number of major standards as part of the ongoing effort to achieve a global set of accounting standards. Several of these projects could become political, according to Mr. Herz (see the box overleaf).

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Mr. Herz identifies convergence projects that could spark political intervention:

- **Revenue recognition:** *“There is no more important number in the financial statements. It is of great interest to CEOs ... Certain companies will fight against change.”*
- **Lease accounting:** *“This will put the present value of future lease payments (and the right to use the leased assets) on the balance sheet. For some industries, this will be a dramatic change.”*
- **Financial statement presentation:** *“This could increase the number of lines on the income statement, requiring a more comprehensive method of cash flow reporting. Analysts seem to like the thrust of the suggestion, but there has been some negative reaction from the corporate world.”*
- **Pension accounting:** *“A few years ago, we required over- and underfunding of corporate pension funds to be recorded on the balance sheet, but we left in place smoothing in the earnings. Analysts don’t like the smoothing, but if we remove the smoothing, it will have a significant impact and increase earnings volatility.”*

Defending technical purity and independence

Investor groups and others have voiced strong concerns about political intervention, even proposing reforms to the institutional framework of standards setting.⁹ At the summit, Mr. Herz made it clear that his organization would defend its goal of promoting transparency in financial reporting: *“Our public policy mission is to ensure that better information is getting into the capital markets ... In the end, we focus on improving reporting and let the chips fall where they may. We certainly will not be swayed by one sector, even though we want to understand their concerns. We are not policy, we are measurement.”*

On the issue of regulatory reporting standards versus financial reporting standards, Mr. Herz also held firm: *“You have to look for a common approach, but we should not subvert our mission to ensure consistency. We have different objectives. We will not subordinate our position to what they want. But where there are differences, we must be transparent.”* Indeed, meeting participants saw a widening divergence between the two types of standards.

Regarding potential divergences in management’s approach to financial reporting, Mr. Herz underscored the importance of comparability: *“Investors have to be able to compare across companies. So, we cannot simply let each management team present data in the way they want ... that’s what the MD&A [management discussion and analysis] is for, so management can tell its own story. The financial statements, by contrast, have to be consistent and comparable.”*

⁹ Steve Burkholder, “FASB’s Investors Technical Advisory Panel Notes ‘Grave Concerns’ on Board Autonomy,” *Securities Law Daily*, June 22, 2009. Available to subscribers at www.bna.com.

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IFRS: conversion or convergence?

The topic of global accounting standards was a major focus of discussion at the summit. As noted above, the FASB and IASB are converging the standards they develop in key areas, an effort that was formally launched by the Norwalk Agreement of 2002. Achieving global standards has also been of interest to regulatory bodies like the SEC. For Christopher Cox, the last SEC chairman, it was a central goal that led to the announcement in August 2008 of the SEC's Roadmap for adoption of IFRS in the United States. The Roadmap proposed a series of steps, culminating in full-scale adoption for all public companies by 2016 (see box below).

SEC Roadmap in brief¹⁰

- **2009-10:** First companies could voluntarily report under IFRS.
- **2011:** SEC decision on mandatory adoption if milestones have been achieved.
- **2012-2013:** Other large companies may be allowed to voluntarily adopt IFRS.
- **2014-2016:** Mandatory adoption (if decided upon) is phased in over three years.

A shift in the Roadmap?

While many of the convergence projects initiated by the Norwalk Agreement and incorporated in the Roadmap are continuing, the SEC has yet to approve the key milestones for official US adoption of IFRS. Indeed, IFRS adoption appears to have dropped down on the list of priorities of the new SEC chairman, Mary Schapiro, who initially expressed concerns about the cost of adoption, the quality of the standards, and the independence and effectiveness of the IASB.¹¹

Some observers suggest that Ms. Schapiro's long-term commitment to IFRS is probably not in doubt, but the crisis is necessitating a focus on other issues. Indeed, James Kroeker, the SEC's acting chief accountant, said at a recent conference at the University of Southern California that too much has been made of Ms. Schapiro's comments, and that she has also said that the current economic crisis points to the need for a single, global set of financial reporting standards.¹² During the summit discussion, Mr. Herz noted that many in the US policy community appear to be in favor of the concept: *"In the US, there is a lot of support for the concept of a single set of international standards."*

The public comments received by the SEC on the Roadmap suggest, however, that many stakeholders have serious concerns. While they support the vision of global standards, they are worried about the costs that adoption could entail, particularly in today's economic environment, and some believe that the benefits of

¹⁰ Audit Committee Leadership Summit, "IFRS in Europe and the US: lessons learned and challenges ahead," *ViewPoints*, October 31, 2009, 4-7. Available at http://www.tapestrynetworks.com/documents/Tapestry_EY_Summit_View7_Oct08.pdf.

¹¹ Melissa Klein Aguilar, "Enthusiasm for IFRS Roadmap Fading Fast," *Compliance Week*, March 24, 2009. Available at <http://www.complianceweek.com/article/5328/enthusiasm-for-ifrs-roadmap-fading-fast>.

¹² Tom Gilroy, "FASB, IASB Chairmen Warn Against U.S. Delay on Decision to Adopt IFRS," *Securities Law Daily*, June 1, 2009. Available to subscribers at www.bna.com.

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IFRS are unclear.¹³ Mr. Herz summarized some of these comments: *“A lot of American companies fear this is another SOX. Others have concerns about the independence and funding of the IASB. In any case, companies are currently focused on survival and funding and financial challenges.”*

Given the uncertainty surrounding the Roadmap’s future, many US companies report they are no longer prioritizing work on IFRS conversion.¹⁴ In pre-meeting interviews, a North American network member noted, “It’s not on our radar screen right now ... no resources are being deployed to it.” Another remarked, “In general, there is a little less focus and lower expectations that this will be adopted and implemented within the original time frame.”

The IASB’s response to the political pressure applied by the EU has not increased confidence in the organization, and it could slow the overall convergence project. While Mr. Herz did not think that the IASB was a captive of the EU, he acknowledged that the organization has an image problem: *“The IASB will have to address some of the perception issues – notably, that it looks beholden to the European Commission – for global convergence to take place.”* Mr. Herz said that while Congress is not focused on the issue right now, *“there are concerns about the dilution in the quality of, and authority over, standards.”*

The European perspective

At the London summit in the fall of 2008, meeting participants discussed the Roadmap with Philippe Danjou, a member of the IASB. Mr. Danjou urged US companies to begin the conversion process: “It is a good idea to start now, not wait ... The conversion process for [Europe] actually began in 2003. If, as a company, you wait until 2011, you will not have much time. If you act sooner, you have up to six years.”¹⁵ A European audit committee chair concurred: “If we take more time, it won’t help. It will just lead to less interest. If we want one system (and I say we do), the solution is to make the move.”¹⁶

In preparatory discussions for the 2009 summit, some European members expressed dismay at the apparent waning of enthusiasm in the United States. One said, “I have only one answer to this – it’s a bad thing. Those companies who are listed in the US and Europe: we need convergence. The differences are not material, so from my perspective convergence is objective number one.” Another declared, “I hope that FASB is going to converge as quickly as possible.”

Questions about IFRS, however, are not limited to the United States. In the wake of the controversy around fair value, some European policymakers have expressed doubts of their own about IFRS and the IASB. The threat that the EU holds over the IASB is not only that it might institute more European carve-outs of certain standards, but also the possibility of a complete withdrawal of the EU from IASB in order to re-establish European standards setting.¹⁷ Given the array of convergence projects that could spark additional

¹³ American Institute of Certified Public Accountants, “Where Will the SEC Take the IFRS Roadmap? An AICPA Analysis of Comment Letters on the SEC’s Proposal,” April 27, 2009. Available at http://www.ifrs.com/updates/aicpa/IFRS_SEC.html.

¹⁴ Sarah Johnson and Marie Leone, “CFOs on IFRS: Forget about It,” *CFO.com*, April 17, 2009. Available at <http://www.cfo.com/article.cfm/13517383?f=search>.

¹⁵ Audit Committee Leadership Summit, “IFRS in Europe and the US: lessons learned and challenges ahead,” 7.

¹⁶ Ibid.

¹⁷ Joe Kirwin, “EU Headed for Showdown Over Use of International Accounting Standards,” *Securities Law Daily*, May 27, 2009. Available to subscribers at www.bna.com.

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political battles, it is possible that achievement of the goal of global standards will be slowed by European threats to diverge as well as by American reluctance to converge.

The tensions on both sides of the Atlantic illustrate the difficulties of international coordination, particularly when policymakers are wrestling with issues on many fronts. Speaking at the summit, in a later session on regulatory reform, John White, the former director of the Division of Corporation Finance at the SEC and now a partner at the law firm Cravath, Swaine & Moore LLP, noted that international policy coordination in general is proceeding slowly, including coordination of accounting standards: *“It’s not front and center with the current SEC; it is not their priority ... [Coordination] will happen, maybe a couple of years from now, but the focus on international matters has slowed, except international cooperation on enforcement, which relates to the SEC’s enforcement priority. IFRS will go [forward], but much slower.”*

Considerations for companies, audit committees, and auditors

Meeting participants discussed the practical matters entailed by the ongoing efforts to reform fair value accounting and achieve a single set of global accounting standards. Coupled with an SEC that is keen to show that it is adding value in its review of company disclosures and a more general trend towards accounting complexity, these efforts are presenting multiple challenges for companies, audit committees, and external auditors. The overarching imperative for companies in both Europe and North America is to respond effectively to rapid change and increasing uncertainty.

One participant suggested that standards setters should be concerned with slowing the pace of change: *“Audit committees are putting out a distress call to standard setters. We need more stability and simplicity in accounting. It is getting more and more difficult to understand accounting standards and more and more difficult to share the issues with other board members.”*

Dealing with regulatory scrutiny

Mr. Herz noted, *“The biggest challenge [in adopting IFRS] is the need for more judgment. Standards and guidance are less detailed, [so IFRS] will require a greater focus on how accounting decisions are made.”* Indeed, members expressed more general concerns about regulators questioning the accounting judgments in financial reports and the associated liability implications. As one US meeting participant put it, *“There is some concern that the need for more judgment in the US legal system creates additional risks for audit committees.”* Such fears, Mr. Herz noted, can also drive auditors to misinterpret accounting rules.

Meeting participants discussed the report released in August 2008 by the SEC’s Advisory Committee on Improvements to Financial Reporting (CIFiR). This committee, also known as the Pozen committee, recommended that the SEC and Public Company Accounting Oversight Board issue policy statements on how they evaluate the reasonableness of accounting judgments.¹⁸ Members expressed support for reviving

¹⁸ CIFiR was chartered by the SEC and chaired by Robert Pozen. Its final report is available at Advisory Committee on Improvements to Financial Reporting, *Final Report of the Advisory Committee on Improvements to Financial Reporting to the United States Securities and Exchange Commission* (Washington, DC: Advisory Committee on Improvements to Financial Reporting, 2008). Available at <http://www.sec.gov/about/offices/oca/acifi/acifi-finalreport.pdf>.

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this initiative, described by one participant as a “*judgment framework*” that could protect auditors and audit committees from being second-guessed by regulators.

In the meantime, Mr. Herz suggested that companies can take defensive measures: “*Companies can protect themselves, if they are second-guessed later, by getting the facts, understanding the transactions or business, identifying and discussing the accounting alternatives – including [in] the audit committee – and coming to a conclusion that is not only reasonable but is also good reporting. Contemporaneously, they should document it all.*”

Referring specifically to audit committees, Mr. Herz prescribed a similar approach: “*Audit committees should get the facts, ensure the facts are discussed, and that they make a decision in good faith – that should provide a safe harbor.*” These measures echo elements of the specific criteria for evaluating reasonable accounting judgments that CIFIIR outlined in August 2008.¹⁹

Measures for managing change and complexity more generally

At the summit and in preparatory discussions, members brought up additional practical considerations and tactics that audit committees should keep in mind as they manage change and complexity:

- **Conduct educational sessions for audit committee members.** Some companies include such sessions at every meeting, while others run them as off-cycle meetings. These sessions can be conducted by the external auditor or management, depending on the topic.
- **Draw on external advice.** Outside experts can provide specific advice as well as general education. One audit chair speaking before the meeting suggested a role for the external auditor in providing periodic updates to the full board on the economics of the business – “how we make, lose, and spend money” – so that board members have a better understanding of the business.
- **Provide easy-to-understand summaries of the accounting changes.** Given the reluctance even among some audit committee members to delve deeply into the most difficult accounting issues, some companies distill the latest accounting pronouncements into more easily digestible summaries.
- **Ensure that the full board discusses in depth the management commentary in financial reports.** One meeting participant noted that “[*reviewing MD&A*] can take from two to five hours – indeed, one year, it took seven hours. *We go through it paragraph by paragraph.*”
- **Exercise careful judgment regarding which issues are taken to the full board.** The audit committee, in consultation with the CFO and the external auditor, should “*determine which new standards are material ... Only after that takes place should the committee take them to the board.*”

Conclusion

Change and complexity are likely to characterize financial reporting well into the foreseeable future. Fair value accounting standards have generated a great deal of controversy during the course of the current crisis,

¹⁹ Ibid.

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forcing standards setters to respond to political demands even as they defend their mission of transparency and comparability. Meanwhile, the massive project to achieve unified, global standards for accounting continues to march forward, even if various distractions and concerns have somewhat tempered earlier enthusiasm for the effort. In the face of continued change and complexity, companies, audit committees, and auditors need to be systematic about the processes they use to make accounting judgments, and audit committees need to enhance their own education and their communication within the committee and with the full board. For a list of questions that audit committees can discuss as they consider these issues, see Appendix 2 on page 12.

About this document

The European Audit Committee Leadership Network (EACLN) and Audit Committee Leadership Network (ACLN) are groups of audit committee chairs drawn from leading European and North American companies committed to improving the performance of audit committees and enhancing trust in financial markets. The networks are convened by Ernst & Young and orchestrated by Tapestry Networks to access emerging best practices and share insights into issues that dominate the new audit committee environment.

ViewPoints is produced by Tapestry Networks to stimulate timely, substantive board discussions about the choices confronting audit committee members, management, and their advisers as they endeavor to fulfill their respective responsibilities to the investing public. The ultimate value of *ViewPoints* lies in its power to help all constituencies develop their own informed points of view on these important issues. Anyone who receives *ViewPoints* may share it with those in their own network. The more board members, members of management, and advisers who become systematically engaged in this dialogue, the more value will be created for all.

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Appendix 1: Participants at the Audit Committee Leadership Summit

European and North American Audit Committee Leadership Network members participating in the summit, who sit on the boards of over 50 large-, mid-, and small-cap public companies between them, included:

- Denny Beresford, Audit Committee Chair, Kimberly-Clark
- Aldo Cardoso, Audit Committee Chair, GDF SUEZ
- John Dillon, Audit Committee Chair, Caterpillar
- Gene Fife, former Audit Committee Chair, Caterpillar
- Dick Harrington, Audit Committee Chair, Xerox
- Phil Hodgkinson, Audit Committee Chair, BT
- Judy Richards Hope, Audit Committee Chair, Union Pacific
- Labe Jackson, Audit Committee Chair, JPMorgan Chase
- DeAnne Julius, Audit Committee Chair, Roche Holding
- Marie Knowles, Audit Committee Chair, McKesson
- Daniel Lebègue, Audit Committee Chair, SCOR
- George Muñoz, Audit Committee Chair, Altria and Marriott International
- Oscar Munoz, Audit Committee Chair, Continental Airlines
- Anders Nyrén, Audit Committee Chair, Sandvik and SCA
- Pam Patsley, Audit Committee Chair, Texas Instruments
- Ian Prosser, Audit Committee Chair, BP
- Pierre Rodocanachi, Audit Committee Member, Vivendi
- Guylaine Saucier, Audit Committee Chair, Areva and Danone
- Tom de Swaan, Audit Committee Chair, GlaxoSmithKline and Ahold
- Bernd Voss, Audit Committee Chair, ABB
- Sandy Warner, Audit Committee Chair, General Electric Company
- Chris Williams, Audit Committee Chair, Wal-Mart
- Mario Zibetti, Audit Committee Chair, Fiat Group

Ernst & Young partners participating in the meeting included:

- Tom Hough, Americas Vice Chair of Assurance Services
- Steve Howe, Americas Managing Partner
- Tom McGrath, Managing Partner, EMEA Financial Services
- Christian Mouillon, Global Vice Chair of Assurance Services

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Appendix 2: Questions for audit committees

- ? What are your concerns regarding the merits of the changes that the IASB and FASB have made to their fair value and impairment guidance? What impact will these changes have on your company, if any?
- ? What should be the legitimate objectives of the IASB and FASB in setting standards? How should the standards setters be held accountable to stakeholders?
- ? How concerned are you with the progress toward convergence of accounting standards?
- ? Should the SEC move more quickly to have the United States adopt IFRS? What would be the impact on your company of a delay in the convergence between US GAAP and IFRS?
- ? How should companies, auditors, and audit committees ensure that their accounting judgments are defensible to regulators?
- ? What should audit committees be doing to educate not only the members of the committee but of the board? How much education is enough?
- ? What innovative techniques have you found helpful in keeping your audit committee and your board abreast of new developments?