AUDIT COMMITTEE LEADERSHIP NETWORK
IN NORTH AMERICA
ViewPoints

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Dialogue with Russell Golden of the Financial Accounting Standards Board

On September 27, 2016, members of the Audit Committee Leadership Network (ACLN) met with the chair of the Financial Accounting Standards Board (FASB), Russell Golden, for a discussion of the FASB's operations, agenda, and priorities. For a biography of Mr. Golden, see Appendix 1, on page 11. For a full list of participants, see Appendix 2, on page 12.

Executive summary

In conversations before and during the meeting, Mr. Golden and ACLN members touched on various topics related to the FASB as an organization and as the developer of the accounting standards known as generally accepted accounting principles (GAAP):[1]

- **FASB mission, process, and oversight** *(page 2)*

  While the Securities and Exchange Commission (SEC) has ultimate authority over accounting standards and works closely with the FASB, the FASB and its oversight body, the Financial Accounting Foundation (FAF), carefully defend their independence from any particular interests. The FASB has a funding mechanism that makes government funding unnecessary. Striving for maximum objectivity, it develops its standards using a deliberative process that weighs input from a multitude of stakeholders about the costs and benefits of potential standards.

- **Current standard-setting efforts** *(page 4)*

  The FASB has published several important standards in recent years, prompting concerns that the pace of change is overwhelming many companies. Mr. Golden explained that the FASB is trying to address the overload by focusing on high-priority projects and timing the implementation deadlines for new standards appropriately. Meanwhile, the FASB is also assessing its guidance on materiality, balancing the need for consistency with the SEC and the Public Company Accounting Oversight Board (PCAOB) against the need to maintain the levels of disclosure preferred by investors. In the international arena, the FASB works with other standard setters, including the International Accounting Standards Board (IASB), but Mr. Golden said the focus has shifted from agreeing on a *"uniform set of words"* to reaching *"common outcomes."* He also said that sustainability reporting is not on the FASB's agenda.

- **Non-GAAP reporting** *(page 7)*

  ACLN members noted the value of non-GAAP measures for explaining certain aspects of a company's business, and Mr. Golden explained that the increase in non-GAAP reporting in recent years is also due to confidence in GAAP, because most non-GAAP measures are derived from GAAP measures. He acknowledged, however, that some measures are not and said transparency about how measures are derived is the best way to help investors understand them.

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[1] *PreView* reflects the network's use of a modified version of the Chatham House Rule whereby comments are not attributed to individuals or corporations. Quotations in italics are drawn directly from conversations with network members and guests in connection with the meeting.

- **Outreach to audit committees** *(page 9)*

  Mr. Golden encouraged audit committees to get more involved in the FASB's standard-setting process and to consider joining its advisory council. He also urged the audit chairs to encourage greater participation by their companies' chief accounting officers, especially early in a project, and to challenge their companies to stay on top of new standards and their implementation.

For a list of discussion questions for audit committees, see Appendix 3 on page 13.

FASB mission, process, and oversight

The FASB explains that its mission, along with that of the Governmental Accounting Standards Board (GASB) and their oversight body, the Financial Accounting Foundation (FAF), is "to provide useful information to investors and other users of financial reports and educate stakeholders on how to most effectively understand and implement those standards."[2] At the meeting, Mr. Golden summarized, *"We are trying to improve the language of business."*

Mr. Golden identified the FASB's core constituents but also highlighted the need to consider a broader group of stakeholders in its work. *"We view the customer as the provider of capital to companies – equity markets and lenders. But then we have to understand the cost to the preparer and the auditor, as well as the user, who needs to be educated about changes,"* he said.

The FASB consists of a seven-member full-time board plus a staff of about 70 professionals who assist with research and analysis. Mr. Golden noted that the board members represent diverse views: *"It includes two investors – one from the buy side, one from the sell side; an academic; a small preparer; and three auditors, two of whom have been long-standing standard-setters."*

The FASB standards-development process aims to be open, inclusive, and thorough

The FASB addresses the needs of its many stakeholders "through a comprehensive and independent [standards-development] process that encourages broad participation, objectively considers all stakeholder views, and is subject to oversight by the Financial Accounting Foundation's Board of Trustees."[3] The process includes research and analysis, deliberation at public meetings, public comment on exposure drafts, and (if necessary) public roundtables.[4]

Mr. Golden described how the FASB weighs input from companies: *"We weigh the need to provide investors with more detailed and better information, recognizing that it may increase cost to companies and/or give competitors information."*

Elaborating on the process of balancing costs and benefits, a concern mentioned by several ACLN members, Mr. Golden said, *"We sit down with investors to understand the models they use to make equity valuation decisions, whether there will be a pay-off of debt. Once we understand what investors want, we then ask*

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[2] "About the FASB," Financial Accounting Standards Board, accessed August 15, 2016.
[3] "Standard-Setting Process," Financial Accounting Standards Board, accessed August 15, 2016.
[4] "Standard-Setting Process," Financial Accounting Standards Board.

preparers for the costs of doing that. On revenue recognition, we held three private meetings between investors and preparers. We helped each side understand the arguments on both sides, and that helped us reach a reasonable conclusion that was accepted by both issuers and investors." The FASB's website includes a detailed explanation of how it performs a cost-benefit analysis of potential standards.[5]

Mr. Golden also brought up the difficulties of getting input from investors, who have competitive concerns as well. *"It's difficult to engage them in a dialogue because they do not want to tell their secrets to their competitors. Also, you get different perspectives from investors when the issuer is in the room. It's hard to get investors to publicly comment on proposals. As a result, we created a committee made up of investors – buy side, sell side, ratings agencies – so they can write input together,"* he said.

If a standard is issued (projects can be dropped at any time), the FASB monitors the implementation of the standard, identifying problems and issuing implementation guidance or revisions, if necessary. For example, after the issuance of the standard on revenue from contracts with customers and the credit losses standard, the FASB established transition resource groups consisting of a broad range of stakeholders tasked with identifying and analyzing implementation issues.

Several FASB standing advisory groups also provide input at various points in the process. Three of these focus on the perspectives of specific stakeholders – investors, the not-for-profit sector, and small public companies – while another, the Financial Accounting Standards Advisory Council (FASAC), brings the expertise of a diverse group that includes "CEOs, CFOs, senior partners of public accounting firms, executive directors of professional organizations, and senior members of the academic and analyst communities."[6] The FASB also receives advice from a group addressing the needs of private companies and from the Emerging Issues Task Force, which includes a cross-section of stakeholders who focus on quickly identifying and addressing implementation issues in order to minimize the divergence of practices.[7]

The FASB is overseen by the FAF and SEC but strives for independence

The FAF Board of Trustees oversees the work of the FASB and appoints its members and the members of its advisory groups; it has six committees to oversee the governance of the FAF and its standard-setting bodies. Mr. Golden noted, *"I am accountable to the FAF. I present to the board in a way that is similar to what you would expect, providing metrics, details on what we are doing, speeches we are making, interactions with stakeholders."*

Under the Securities Exchange Act of 1934, however, the SEC has the ultimate authority to promulgate financial accounting and reporting standards for public companies. While the SEC recognizes the standards of the FASB as authoritative, the job of enforcing the standards still falls to the SEC. Also, because SEC

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[5] "Cost-Benefit Analysis," Financial Accounting Standards Board, accessed September 8, 2016.

[6] "About the FASB," Financial Accounting Standards Board, accessed August 15, 2016; "Financial Accounting Standards Advisory Council (FASAC)," Financial Accounting Standards Board, accessed August 15, 2016.

[7] "About the FASB," Financial Accounting Standards Board, accessed August 15, 2016; "Emerging Issues Task Force," Financial Accounting Standards Board, accessed August 18, 2016.

rules sometimes include accounting and disclosure requirements, there is some interplay between SEC rules and FASB standards; for example, SEC requirements have sometimes been incorporated into GAAP.[8]

The FASB and SEC work together closely, as Mr. Golden explained: *"There is constant interaction with the SEC's chief accountant – at least once per week – talking about where we are moving with reporting. The chief accountant asks for our opinions on particular issues."* Collaboration also includes the PCAOB: *"We also interact with the chief auditor at the PCAOB. That's important because these agencies can move, navigate, and enforce implementation of new standards. They want to get our perspective on our standards."*

ACLN members were curious about any threats to the FASB's independence and authority. In the past, Congress has exerted pressure on the FASB around its standards and even sought to legislate the application of certain standards.[9] Mr. Golden noted that the FASB's source of funding – assessments billed to public companies through the accounting support fee mandated under Sarbanes-Oxley – gives it greater independence than the prior funding model of contributions from the private sector.

Mr. Golden explained that the FASB's independence is also linked to its transparency. *"We don't take [our independence] for granted. We earn it through an open, transparent process that includes and balances our stakeholder's views. We write a lengthy, technical basis for every document to allow people to trace what we were thinking, why it is an improvement, and why the benefits exceed the costs. Those tend to be geared to the national offices of the accounting firms. Now, we also include a two-page executive summary for the C-suite that focuses on the cost-benefit analysis. We want people to understand that we are doing what we believe is best for the US capital markets,"* he said.

Some members brought up the FASB's independence more generally, especially its ability to balance the interests of smaller stakeholders against those of larger and more powerful ones. In a pre-meeting conversation, one member's overall impression was that the FASB has preserved its independence effectively, but that doing so requires fortitude: *"You need strong leadership, against not only government but also big companies. The FASB has to be very strong to resist political answers that are wrong in terms of the accounting."*

Current standard-setting efforts

The FASB has lately been very active in producing standards, but it is also trying to assess and address the ability of companies to keep up. In the last several years, the FASB has issued a number of major standards, and other standards are currently working their way through the development process. Several of these standards are receiving considerable attention from companies and the media because they present major implementation challenges and/or are likely to have a significant impact on financial reports:

- **Revenue from contracts with customers.** In May 2014, the FASB and the IASB published a new, largely converged standard on the reporting of revenue from contracts with customers, known under US

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[8] Securities and Exchange Commission, Disclosure Update and Simplification (proposed rule), 17 C.F.R. 210, 229, 230, 239, 240, 249, and 274 (2016).

[9] Dena Aubin, "FASB Under Political Heat from Congress over Lease Accounting," *Reuters,* May 29, 2012.

GAAP as Accounting Standards Update 2014-09 (Topic 606). An ACLN member noted, *"This is probably one of the most important and far-reaching accounting standards that has ever been issued."* The effective date of the standard was delayed by one year, as many companies voiced concerns about the challenges of implementing it.[10]

- **Lease accounting.** In February 2016, the FASB published a new standard on accounting for leases (Accounting Standards Update 2016-02). The standard takes effect when companies report their 2019 results, but because three years of data are required, the standard must be applied starting with the year 2017.[11] In a pre-meeting conversation, an ACLN member mentioned the challenge that this new standard presents: *"Given the number of leases, it's unbelievably costly to implement. I'm sure they got that feedback on the exposure draft."*
- **Financial instruments.** In January 2016, the FASB published a new standard on how to recognize, measure, and present financial instruments in financial statements (Accounting Standards Update 2016-01). The standard scaled back the use of fair value as called for in the original proposal issued in 2010.[12] Two other projects involving financial instruments are making progress: in June 2016, the FASB issued its final standard on credit impairment (Accounting Standards Update 2016-13), and an exposure draft on hedging was issued in September 2016.[13]

Is there too much change?

Given the pace of standards setting in recent years, Mr. Golden expressed interest in whether audit chairs believe the FASB has been moving too quickly. *"There have been a lot of new standards put in place. I want to better understand from these overseers if they think the system can handle the change,"* he said. ACLN members tended to distinguish between large and small companies, as one member explained: *"All these regulations are not that terrible for big companies – you just add a few people to the accounting team. But at smaller companies, it's a real problem."*

Nevertheless, one member noted that complex standards like the revenue recognition standard are challenging for all companies: *"To adopt the standard, do you need systems changes to capture the data needed to implement it? If everybody had all the information available, it might be more straightforward. Every company, of any size, is continually dealing with how they prioritize systems development, systems modification costs."*

At the meeting, Mr. Golden explained how the FASB tries to ease the burden of change. *"We try to facilitate the transition. We specifically pushed credit losses out – so it would be after the timing of the revenue recognition standard – to prevent overwhelming changes all at the same time. We allowed revenue recognition and leases to be implemented together because there is overlap, specifically for lessors,"* he said.

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[10] Michael Cohn, "Companies Still Behind on Implementing Revenue Recognition Standard," *Accounting Today,* June 14, 2016.

[11] Tammy Whitehouse, "Accounting Standards Update Brings Lease Contracts under the Spotlight," *Compliance Week,* March 8, 2016.

[12] Tammy Whitehouse, "FASB Publishes Final Standard on Recognition and Measurement of Financial Instruments," *Compliance Week,* January 5, 2016.

[13] Tammy Whitehouse, "FASB Proposes New Approach to Hedge Accounting," *Compliance Week,* September 9, 2016.

Will the materiality threshold be changed?

As part of its disclosure framework project, a broad initiative that seeks to make disclosures "more effective and coordinated and less redundant,"[14] the FASB issued two exposure drafts in 2015 on the concept of materiality. One draft gives greater discretion to issuers in determining which disclosures are material and clarifies that omitting an immaterial disclosure is not considered an accounting error; the other modifies the definition of materiality to indicate that it is a legal concept based on the Supreme Court's definition of materiality.[15]

Some critics, including investors and academics, expressed concern that using the Supreme Court's definition of materiality would give companies too much leeway to exclude information that might be helpful to investors; others argued against introducing a legal definition into the US accounting system.[16] Some stakeholders expressed concern that some of the language in the first draft was too "open-ended" and could lead to second-guessing of judgments by management, audit committees, and auditors.[17] In response to the feedback, the FASB decided to spend more time weighing the feedback and seeking additional input.

At the meeting, Mr. Golden commented on a key concern around the Supreme Court definition of materiality – that it deems information material only if its omission or misstatement "would," rather than "could," have a significant impact on investor decisions, thus setting a high bar for disclosure. He said he was surprised by the reaction but was inclined to stick with the proposal: *"We thought this was a technical correction aligned with the SEC and PCAOB definition of materiality. Obviously, a lot of stakeholders disagreed with that basis. That is my preference. We did not see any increase in disclosure when we changed the requirement from 'would' to 'could' in 2010. Therefore, we do not expect a decrease in disclosure by going back to using 'would' as the threshold."*

When (if ever) will GAAP and IFRS converge?

Mr. Golden said the FASB is working with its counterparts overseas to move closer to the goal of comparable financial reporting. *"We engage in dialogue with other standard setters around the world. We have quarterly meetings and monthly conversations with the IASB. We are also having more interactions with standard setters in other countries. Not every country has fully adopted IFRS. We have enhanced our interactions with South Korea and Australia, and we interact a lot with Canada and other countries where there are a lot of users of US GAAP. It's beneficial to the global capital markets to have common outcomes in financial reporting. We recognize the cost of not having common outcomes,"* he explained.

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[14] "Disclosure Framework," Financial Accounting Standards Board, accessed August 22, 2016.

[15] EY, *FASB Proposes Guidance on Applying Materiality to Disclosures,* To the Point (New York: Ernst & Young LLP, October 2015); Financial Accounting Standards Board, *FASB Disclosure Framework Exposure Drafts on Materiality* (Norwalk, CT: Financial Accounting Standards Board, 2015.)

[16] Gretchen Morgenson, "FASB Proposes to Curb What Companies Must Disclose," *New York Times,* January 2, 2016; David M. Katz, "The Raw Nerve of Materiality," *CFO,* May 5, 2016; Karthik Ramanna and Allen Dreschel, "The Quiet War on Corporate Accountability," *New York Times,* April 26, 2016.

[17] Tom Quaadman (senior vice president, Center for Capital Markets Competitiveness), comment letter to Russ Golden (chair, FASB), "Re: Proposed Accounting Standards Update on *Notes to Financial Statements (Topic 235) Assessing Whether Disclosures Are Material* (File Reference No. 2015-310)," December 7, 2015.

Mr. Golden described a shift in focus for these collaborative efforts: *"In the past, IFRS was focused on a uniform set of words, but we now are focused on reaching the same outcomes. We hope to be able to find common ground in areas where we haven't yet,"* he said. However, the path to common standards has its challenges and obstacles. *"The laws in our country are different, the regulatory structure is different, and the culture may be different. We strive to have common outcomes, but we are not always successful in improving financial reporting and achieving common outcomes,"* he said.

Nevertheless, he said, *"The [FASB and IASB] have had a lot of success working together to try to find common solutions. The press and others look for and emphasize differences, but I think there have been a lot more successes than differences."*

What is the FASB's future agenda?

Mr. Golden laid out four items that are on the FASB's agenda going forward:

- **Reporting financial performance and cash flows.** This project includes income-statement and segment-reporting disaggregation and more structured income-statement presentation, potentially similar to cash flow statement reporting. Mr. Golden noted that *"subtotals are difficult because there is no clear set of rules for calculating them."*
- **Pensions and other postretirement benefit plans.** Mr. Golden commented, *"It's difficult to prepare and comprehend. There are a lot of rules around smoothing, but the alternative is to remeasure every balance sheet date and run it through the income statement. It's a challenge when the solution may not be better than the current process."*
- **Distinguishing liabilities from equity.** Mr. Golden said this is *"extremely important to a large number of companies, but not to large companies"* and noted that *"distinguishing liabilities from equities can get confusing."*
- **Accounting for intangible assets.** Mr. Golden said, *"The fair value of market capitalization is greater than the book value because we do not recognize internally developed assets. But it's not a cost-effective solution to adjust the balance sheet every quarter."*

Mr. Golden acknowledged, however, that four new projects would be a strain on an already burdened system, and he said that the FASB would ask its stakeholders which issues were the highest priorities for them. It is likely to add only two major projects in the near future. An ACLN member said, *"I am encouraged that you are leaving room to allow current changes to settle in before you add on additional changes."* Mr. Golden also observed that sustainability reporting, while important and valuable, is not on the FASB's agenda: *"I don't think it is something the FASB should do. The FASB should be focused on reported results or assets and liabilities."*

Non-GAAP reporting

In a pre-meeting conversation, an ACLN member remarked, *"The bigger issue people need to wrestle with is, does GAAP capture the kind of information that people really want?"* Despite the FASB's continuing efforts to improve the relevance of GAAP measures, the use of non-GAAP measures in financial reports has been increasing over the years and is now very prevalent. Based on data collected from filings by S&P 500 companies between July and September 2015, the research firm Audit Analytics found that 88% of companies used non-GAAP measures in their earnings releases.[18]

A member said, *"With any large company, there's plenty of stuff that's relevant but often one-time in nature. Companies can abuse it, but if you're really trying to explain what's going on in business, you have to go beyond accounting statements."* At the meeting, a member made a similar point: *"In the context of significant [mergers and acquisitions], GAAP is not well understood by the street, and it gets investors to the wrong answers. Non-GAAP is better. It guides analysts to the real future earnings."*

Mr. Golden explained that GAAP and non-GAAP measures are not as unrelated as it might seem. *"The widespread acceptance of non-GAAP measures is a result of the confidence that investors and companies have in the financial reporting system as a whole … There is such a great deal of confidence in GAAP, and most non-GAAP measures are derived from GAAP. We look at the top 20 types of non-GAAP measures that are used, and some are derived from the performance statements. They are just a different way to emphasize the GAAP numbers. EBITDA [earnings before interest, taxes, depreciation, and amortization] is derived directly from various numbers on the performance statements."*

Some non-GAAP numbers are not derived from GAAP, Mr. Golden acknowledged. In some of these cases, there is no corresponding GAAP standard; in others, the non-GAAP measure may be what he termed *"anti-GAAP,"* an alternative to a GAAP standard that addresses the same issue – for example, expensing stock options – but in a different and inconsistent way. The use of such measures means that it is *"important that there is appropriate transparency about what the number is – whether it is derived directly from GAAP,"* he said. He also noted that the FASB is improving its agenda process and now non-GAAP measures are used in setting the FASB's agenda.

The increasing use of non-GAAP measures has attracted SEC attention. In May 2016, it updated its Compliance and Disclosure Interpretations on the use of non-GAAP financial measures, adding guidance on when such use might violate SEC rules by, for example, being misleading or presented too prominently relative to the comparable GAAP measure.[19] The SEC's Division of Corporation Finance and the Division of Enforcement are looking more carefully at how companies use these measures.

In advance of the meeting, an ACLN member said, *"The SEC's recent pronouncement on non-GAAP measures will narrow the swim lanes on what companies can do. But there is still a lot of latitude there."* At the meeting, the member described the role that the audit committee plays in overseeing management's use of non-GAAP measures: *"The challenge for audit chairs is that companies come to us and say, this is what the rules allow. We can only say no if it is deeply offensive. Then we turn to the auditors, who say it is allowed by SEC rules. We have a challenge in that when our companies want to do these things, we should*

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[18] Derryck Coleman and Olga Usvyatsky, "Trends in Non-GAAP Disclosures," *Audit Analytics* (blog), December 1, 2015.
[19] EY, *SEC Staff Updates Guidance on Non-GAAP Financial Measures,* To the Point (New York: Ernst & Young LLP, May 2016).

press them on why it is better. It is management's responsibility to explain their performance in the best way to describe it, not in the way it looks best."

Outreach to audit committees

The FASB wants to hear more from audit committees. In advance of the meeting, Mr. Golden expressed interest in learning more about their views and how the FASB might best solicit their opinions. *"I've always felt we needed more outreach to audit committee chairs. In the past, we have not had in-depth conversations with these stakeholders, so I was happy when we found this opportunity. We have had conversations through FASAC, but not in-depth conversations,"* he said.

At the meeting, Mr. Golden encouraged audit committee members to get more involved in the FASB's standard setting. *"Audit committees are a very important group. We should continue to have a dialogue. They should continue to be on our FASAC. It meets four times per year, for one day. Right now, it has just one audit committee member. Consider joining!"*

He also urged the audit chairs to increase their companies' participation and focus on standards. *"At your companies, encourage your CAOs [chief accounting officers] to participate in the process. They are more likely to educate the [FASB] and shape the outcome earlier on in a project,"* he said. Further, he added, *"As projects have been finalized, challenge your teams on their plans and their resources – make sure they are ahead of the game."*

In pre-meeting conversations, some members offered specific recommendations for how the FASB could learn about the views of audit committees and strengthen its relationship with them. One member said, *"Mr. Golden and the other board members should have one-on-one conversations. He can use the FASAC chairs for that too, asking them to have private discussions with the FASB's board members. They will see themes emerge."* Another member offered advice on how to reassure audit chairs that their input is being considered: *"[FASB members] should discuss, in their communications, what they heard when they talked with audit committees."*

Conclusion

In their dialogue with Mr. Golden, ACLN members learned how the FASB handles its role as an independent standards body shaping critical communications from companies to their investors and other stakeholders. Broad-based input, collaboration, and transparency are key, as is careful attention to the implementation of standards and the overall pace of standard setting. As part of the FASB's extensive outreach, Mr. Golden said he hopes to strengthen ties to audit committees, and he encouraged ACLN members to increase their engagement with his organization.

About this document

The Audit Committee Leadership Network is a group of audit committee chairs drawn from leading North American companies committed to improving the performance of audit committees and enhancing trust in financial markets. The network is organized and led by Tapestry Networks with the support of EY as part of its continuing commitment to board effectiveness and good governance.

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. Those who receive *ViewPoints* are encouraged to share it with others in their own networks. The more board members, members of management, and advisers who become systematically engaged in this dialogue, the more value will be created for all.

Appendix 1: Biography of Russell Golden

Russell G. Golden began his term as the seventh chairman of the FASB on July 1, 2013. He was initially appointed to the FASB in 2010, after serving for six years on the FASB staff. Mr. Golden's term as chairman extends to June 30, 2017, when he will be eligible for appointment to an additional term of three years.

Mr. Golden brings to his role deep experience in technical accounting issues. From 2008 to September 2010, he was Technical Director of the FASB, overseeing FASB staff work on accounting standards and technical application and implementation activities. He also chaired the FASB's Emerging Issues Task Force.

Previously, Mr. Golden was Director of Technical Application and Implementation Activities for the FASB. Appointed to that position in July 2007, Mr. Golden managed FASB activities relating to the application and implementation of accounting standards and other Board pronouncements. From 2004 until 2007, he served as a Senior Technical Advisor to the Board.

Before joining the FASB staff, Mr. Golden was a partner at Deloitte & Touche LLP in the National Office Accounting Services department. In that role, he was responsible for providing timely and accurate accounting consultations to partners and clients throughout the United States and around the world.

Mr. Golden earned his bachelor's degree from Washington State University. He is a licensed CPA in the states of Washington and Connecticut.

Appendix 2: Participants

Members participating in all or part of the meeting sit on the boards of 38 public companies:

- Alan Bennett, Audit Committee Chair, Halliburton
- Mary Anne Citrino, Audit Committee Chair, HP Inc.
- Carolyn Dittmeier, Chairman Statutory Audit Committee, Generali[*]
- Tim Flynn, Audit Committee Chair, Wal-Mart
- Michele Hooper, Audit Committee Chair, PPG Industries
- Blythe McGarvie, Audit Committee Chair, Viacom
- Chuck Noski, Audit Committee Chair, Microsoft
- Mary Schapiro, Audit Committee Chair, General Electric Company
- Tom Schoewe, Audit Committee Chair, General Motors
- Guylaine Saucier, Audit Committee Chair, Wendel[†]
- Dick Swift, Audit Committee Chair, CVS
- Jim Turley, Audit Committee Chair, Citigroup
- David Vitale, Audit Committee Chair, United Continental

EY was represented in all or part of the meeting by the following:

- Steve Howe, US Chairman and Americas Managing Partner
- Frank Mahoney, Americas Vice Chair of Assurance Services

[*] Member of the European Audit Committee Leadership Network
[†] Member of the European Audit Committee Leadership Network

Appendix 3: Discussion questions for audit committees

- How could the FASB's standard-development process be improved? What kind of cost-benefit analysis would be helpful?
- What has been your company's experience with implementing recently released standards? Where would additional guidance be helpful? What has the audit committee been asking management and the external auditor?
- Do you believe the pace of standards setting is appropriate?
- What kinds of projects should the FASB add to its agenda?
- Why and how does your company use non-GAAP reporting?
- Have you, as an audit committee chair or member, ever provided input to the FASB on its agenda or any aspects of its standards? In what ways?
- How can the FASB best receive input from audit committees? What approaches would work best?
- What would reassure you that the FASB is adequately taking on the concerns of audit committees? How can a strong relationship be built?