

Intangible Assets: Measuring and Enhancing Their Contribution to Corporate Value and Economic Growth

Panel III: Intangibles in the Firm and Financial Markets

Monday, June 23, 2008

Outline of Remarks of
Ronald J. Bossio, Senior Project Manager
Financial Accounting Standards Board

National Academy of Sciences Lecture Room
2100 C Street, NW
Washington DC

The views expressed are my own and do not represent positions of the Financial Accounting Standards Board. Positions of the Financial Accounting Standards Board are arrived at only after extensive due process and deliberation.

Overview

- Thank you for this opportunity
- My remarks are my own and not those of the Board
- My remarks will focus on three areas
 - External financial reporting
 - FASB's current projects and priorities
 - Reporting for intangible assets today and a way forward

External Financial Reporting

- The key players
 - FASB
 - SEC
 - IASB
- The key users
 - Investors and creditors of business entities
 - Creditors, donors, and grantors of nonprofit entities

External Financial Reporting

- FASB's role in setting standards for external financial reporting
 - Directed at providing decision-useful information through general purpose financial statements, including notes to statements and other reporting
- Standards that are neutral and result in information that:
 - Is relevant for making investment, credit, and similar resource allocation decisions
 - Faithfully represents an entity's underlying economic resources, obligations and changes in them
 - Is comparable
 - Is understandable

External Financial Reporting

- Financial statements vs. financial reporting
- Limits on what we are currently capable of including in financial statements
 - Concerns about verifiability of measures and credibility of information in financial statements
 - Especially problematic for “soft” items, such as internally developed intangible assets
- MD&A affords opportunities for reporting “softer” information outside of financial statements and the SEC’s role

FASB's Current Projects and Priorities

- Full (very full) agenda (www.fasb.org)
- Priorities:
 - International convergence and joint projects with the IASB
 - Completion of codification of US GAAP
- Other research and support activities
 - SEC Advisory Committee (Pozen Committee)
 - Valuation resource group

Joint Projects with IASB

- Joint projects include:
 - Business combinations (recently completed)
 - Revenue recognition
 - Financial statement presentation
 - Liabilities and equity—distinguishing
 - Accounting for leases
 - EPS
 - Income taxes
 - Conceptual framework

Recent Agenda Consideration

- December 2007
 - FASB (and IASB) consider whether to add a comprehensive project on accounting for intangible assets, including those that are internally developed.
 - Decide not to add at this time
 - Resource constraints
- November 2007–FASAC and others suggest:
 - Progress on conceptual framework should come first
 - FASB consider a more limited project that might converge with the IASB's existing standard (IAS 38)
 - Capitalizing intangible assets is not among high priorities of users of financial statements

Ways Forward

- Adopting IAS 38
 - A step but no panacea
 - Focuses on recognition of intangible assets when reaching development stage
 - Like US GAAP, research would not be capitalized
 - Would expand US GAAP beyond internally developed software and purchased R&D

Ways Forward

- Voluntary initiatives
 - Enhanced Business Consortium
 - Key performance indicators
 - Intellectual capital
- MD&A (SEC and IASB)
- Inputs through SEC Advisory Committee, FASAC, UAC, and others
 - A principles-based disclosure framework project being advocated by the Investors Technical Advisory Committee
 - Potential opportunity to improve disclosures about the types of expenditures incurred (including, for example, costs for research, development, training, branding, etc.) whether or not capitalized
- XBRL initiatives (e.g., SEC Chairman Cox)