

MEMORANDUM

TO Business Roundtable file

FROM D. Beresford

SUBJECT 6/28 meeting with Big 8 Managing Partners DATE June 30, 1988



Financial Accounting  
Standards Board

cc: Board, TSL, JTB, DM, PK, JLaG

Tom Jones provided me with the following summary report on the June 28 dinner meeting between Business Roundtable Accounting Principles Task Force representatives and Big 8 Managing Partners. In attendance were seven of the Big 8 MPs (I believe Pete Scanlon of C&L was missing), John Reed, Colby Chandler, Hays Watkins, Tom Jones, Rholan Larson and Ed Coulson.

John Reed opened the meeting with a statement similar to other meetings. He focused on the number of new pronouncements/pace of change and theory/practicality issues. He added his belief that the Big 8 firms are hiding behind the FASB rather than taking strong professional stands on accounting issues, and this leads to too many and too detailed standards.

Larry Horner of PMM made a brief opening statement on behalf of the Big 8. His principal message was that the Big 8 firms share many of the business community's concerns about the FASB process. He added that he understood that the FASB was aware of these concerns and also was interested in improving the process. During Horner's presentation and throughout the comments made by the MPs, the theme of "no one supports moving standard setting to the SEC" was repeated frequently.

After Horner's opening comments, each MP was asked to summarize one of the suggestions for improvement in the process. These were basically the same ones as had been reported to me by Art Siegel earlier, namely:

1. Better criteria for determining what goes on the FASB's agenda;
2. More field testing;
3. Better use of task forces;
4. Preliminary views documents for all important projects;
5. Maximum six-year term for Board Members;

Each MP provided some details on these suggestions for improvement but Tom did not tell me in our brief conversation what the details were.

Other points Tom mentioned were as follows:

1. Certain MPs criticized business for not recommending more candidates for FASB Board and staff positions and for otherwise not being sufficiently involved in the process.
2. Hays Watkins warned the MPs that the attitude of business has changed somewhat with respect to whether the SEC should take over standard setting. While he agreed that the substantial majority of the CEOs still agreed with having a private sector body, he believes that in the last five years an increasing number of CEOs now believe the SEC would be preferable.
3. Colby Chandler agreed that there needs to be improved communication between the CEOs and CFOs to "get their stories straight" with respect to FASB projects and process.

4. Throughout the discussion, both the business and accounting firm representatives mentioned frequently that determining what goes on or off the FASB's agenda is a most critical issue -- one that warrants more thought.
5. Dave Ruder has asked Ed Coulson to review the SEC's relationship with the FASB. Ruder apparently is concerned that the FASB may be overreacting to suggestions by the SEC staff, and that gets us into areas that aren't really worth our time.
6. A comment was made that Dick Heckert of Dupont thought that the notes that Tim Lucas had prepared on our last meeting with the Roundtable were outstanding and those notes had been shared with other Roundtable members (at least the Accounting Principles Task Force) in lieu of Tom Jones preparing his own notes.
7. John Reed feels that the FASB may have developed too much of a "bunker mentality" vis-a-vis the business community, so it will be hard to change attitudes and have the FASB be somewhat more responsive to constructive suggestions from business.
8. Big 8 representatives said they would commit to preparing a white paper based on the suggestions made at the meeting.
9. A general theme of the comments from the CEOs was that ways must be found to require the FASB to more directly respond to the views of business. This is not to say that those views must be accepted in all cases, but they at least must be answered.

10. Ed Kangas of Touche Ross presented the recommendation for a limitation on the terms of the Board Members. However, he went beyond that to make the points that:
  - a. FAF needs to better use the power they have to control the FASB.
  - b. The Board Chairman is not "just first among equals". Based on the Rules of Procedure he could make some major changes in the process by himself. (Apparently both of these points were made with the total absence of any details).
11. After Kangas's presentation, Rholan Larson explained the role of the Trustees. John Reed responded by suggesting that the SEC or others can force changes on the process if they are needed, regardless of the opinions of the FAF members.

John Reed saved his "bombshell" for the end of the meeting. Apropos of the earlier discussion regarding the importance of having the right items on the agenda, John suggested a permanent seven-member task force on the FASB's agenda. The members would be three SEC Commissioners, two public accountants, one from business (I may have reversed the CPA and business numbers) and the FASB Chairman. This group would have absolute control of the agenda, determining what goes on and what comes off. According to Tom, the body language of the MPs indicated significant reservations but no one strongly disagreed.

Tom mentioned that while John made this as a serious suggestion, he (Tom) thinks it is unrealistic to expect that anything close to this will be acceptable. Nevertheless, it is an indication of the strength of views regarding the need for the FASB to be working on the "right" topics. We agreed that I would try to set up a meeting for mid to late July with Art Siegel, Bob Burmester, and Tom Jones. The purpose would be to kick around the general suggestions made by the MPs and hear more details of what is intended. Tom said that the Roundtable people are still actively considering some sort of report but it will be until at least late August until anything is finalized. He emphasized that any suggestions would be "improvements of the current system" rather than suggesting an entirely new one. He also emphasized that business is not interested in making recommendations that won't be seriously considered by the FASB, so they will try to work closely with us in the development of any recommendations.

DRB:jp