



Financial Management Association
One Washington Square
Accounting & Finance Dept, BT 850
San Jose, CA 95192
www.cob.sjsu.edu/fma

Fall 2009 Professional Development Meeting Minutes

Speakers: Don DePascal

November 24, 2009

4:30 PM – 5:30 PM

Held at BBC Room # 202

Announcement:

1. Social Event:

- a. Dec 1st, 2009 (Tuesday)
- b. 5.30 – 7.30pm
- c. Student Union Bowling Center.
- d. More information in the FMA website Calendar

2. Volunteer Event:

- a. Dec 6th, 2009 (Sunday)
- b. 10am – 12.30pm
- c. Emma Prusch Park, 647 South King Road, San Jose
- d. More information in the FMA website Calendar

3. Officer Elections: Due on Nov 30th at 4pm at BT 850

4. Internship Opportunity:

- a. Ben Foster from Optony, Inc. is offering an internship position. He will be coming to the last meeting, Dec 1st, to present the internship program and application process.
- b. Those who are interested, please come for the last meeting.

For more information, please visit the FMA website: www.fmasjsu.com

Title of Presentation: “In Search of Principles”

1. Background of Don DePascal:

- a. MS Taxation in SJSU

2. Accounting Principles Board

- a. Accounting Principles Board (APB) is the former authoritative body of the AICPA. It was created by the AICPA in 1959 until 1973, when it was replaced by the FASB.
- b. APB was disbanded in the hopes that the smaller, fully-independent FASB could more effectively create accounting standards.



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3. Work of the APB
 - a. Opinion Number #2: Accounting for the Investment Credit
 - b. Opinion Number #30: Reporting the results of Operations

4. What are these principles?
 - a. Accrual concept
 - b. Consistency concept
 - c. Going concern concept
 - d. Entity/Accounting records
 - e. Full disclosure
 - f. Matching principle
 - g. Materiality
 - h. Realization principle

5. The Financial Accounting Standards Board (FASB)
 - a. A private, not-for-profit organization whose primary purpose is to develop GAAP within the US in the public's interest.
 - b. Created in 1973, replacing the Committee on Accounting Procedure (CAP) and the Accounting Principle Board (APB) of the AICPA
 - c. Mission: To establish and improve standards of financial accounting and reporting for the guidance and education of the public.
 - d. The importance of rule making is an important function for everyone.
 - e. FASB keeps standards current to reflect changes in methods of doing business and changes in the economic environment.
 - f. Promote the international convergence of accounting standards concurrent with improving the quality of financial reporting

6. FASB Statements of Concepts
 - a. Guides the Board in developing sound accounting standards and provide the Board and its constituents with an understanding of the appropriate content and inherent limitations of financial statements.
 - b. Developed under the same extensive due process the FASB follows in developing Statements of Financial Accounting Standards on major topics (*Source: FASB.org*)
 - c. APB Opinion #11 (Replaced by FASB 109): Covered accounting for income taxes.
 - i. Good example of how sometimes competing accounting theories behind accounting pronouncements can gain or lose influence.

7. Looking Back at FASB
 - a. Fairly controversial pronouncements
 - i. Use of fair values (SFAS 157)
 - ii. Expensing stock options (SFAS 123R)



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- iii. Consolidations and “variable interest entities” (FIN 46)
 - a) Introduced after Enron’s case
 - iv. Ended “pooling of interest” accounting for acquisitions (SFAS 141)
 - b. Some pronouncements have come and been changed fairly quickly
 - i. SFAS 8 and 52 (Accounting for Foreign Currency Transactions)
 - c. Some are very complex, and have had many amendments and EITF attention
 - i. SFAS 13 (Leasing) and SFAS 133 (Derivatives)
 - d. The emerging issues task force is very helpful and explanatory, but sometimes cover extremely rare accounting situations which most accountants not likely to deal with.
8. Regulatory Environment Seems Cyclical
- a. The new deal – Securities and Exchange Act of 1933 and 1934, Glass-Steagal, Social Security, and many others
 - b. The 1970’s – Foreign Corrupt Practices Act
 - c. The Reagan years and the 1990’s
 - d. Sarbanes-Oxley Act (SOX) of 2002
 - e. Today – Dec 7th, Supreme Court will hear “Free Enterprise Fund and Beckstead and Watts v. PCAOB and USA” (*Source: “These men could kill Sarbox”, Businessweek, Nov 30, 2009*)
9. Foreign Corrupt Practices Act (FCPA)
- a. In the mid-1970’s, over 400 U.S. companies admitted making questionable or illegal payments in excess of \$300 million to foreign government officials, politicians, and political parties.
 - b. Congress enacted the FCPA to bring a halt to the bribery of foreign officials and to restore public confidence in the integrity of the American business system.
 - c. Anti-bribery provisions of FCPA make it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to a foreign official for the purpose of obtaining or retaining business for or with, or directing business to, any person.
 - d. These accounting provisions, which were designed to operate in tandem with the anti-bribery provisions of the FCPA, require corporations covered by the provisions to make and keep books and records that accurately and fairly reflect the transactions of the corporation and to devise and maintain an adequate system of internal accounting controls. (*Source: United States Department of Justice, “Lay-Person’s Guide to FCPA”*)
10. Sarbanes-Oxley (SOX) Act of 2002
- a. Passed in response to Enron and other financial scandals
 - b. Key provisions:
 - i. Section 101: The PCAOB was established to oversee the audits of public companies.
 - ii. Section 302: Corporate responsibility for financial reports
 - iii. Section 303: Management Assessment of Internal Controls
 - iv. Title IX: White Collar Crime Penalty Enhancement



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a) Financial statements filed with the SEC must be certified by the CEP and CFO

11. SOX and IFRS Convergence

- a. SOX has had and will continue to have very significant regulatory influence
- b. Joint statement recently by the FASB and IASB:
 - i. Reaffirm Commitment to Memorandum of Understanding
 - ii. November 5th, 2009
 - iii. In October 2009, the IASB and US FASB has reaffirmed their commitment to improve IFRS and US GAAP, and achieving their convergence. They also agreed to intensify their efforts to complete the major joint projects described in the 2006 Memorandum of Understanding (MOU)

12. Conclusion

- a. Accounting rulemaking is done within the regulatory environment and the political backdrop.

Minutes submitted by:
Elizabeth Le
November 24, 2009