
Partnering w/Finance and Accounting to Change the Rules

What is Known

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Marketing Accountability Standards Board
of the Marketing Accountability Foundation

Brand Valuations on the Balance Sheet

- Acquired
- Internally Developed

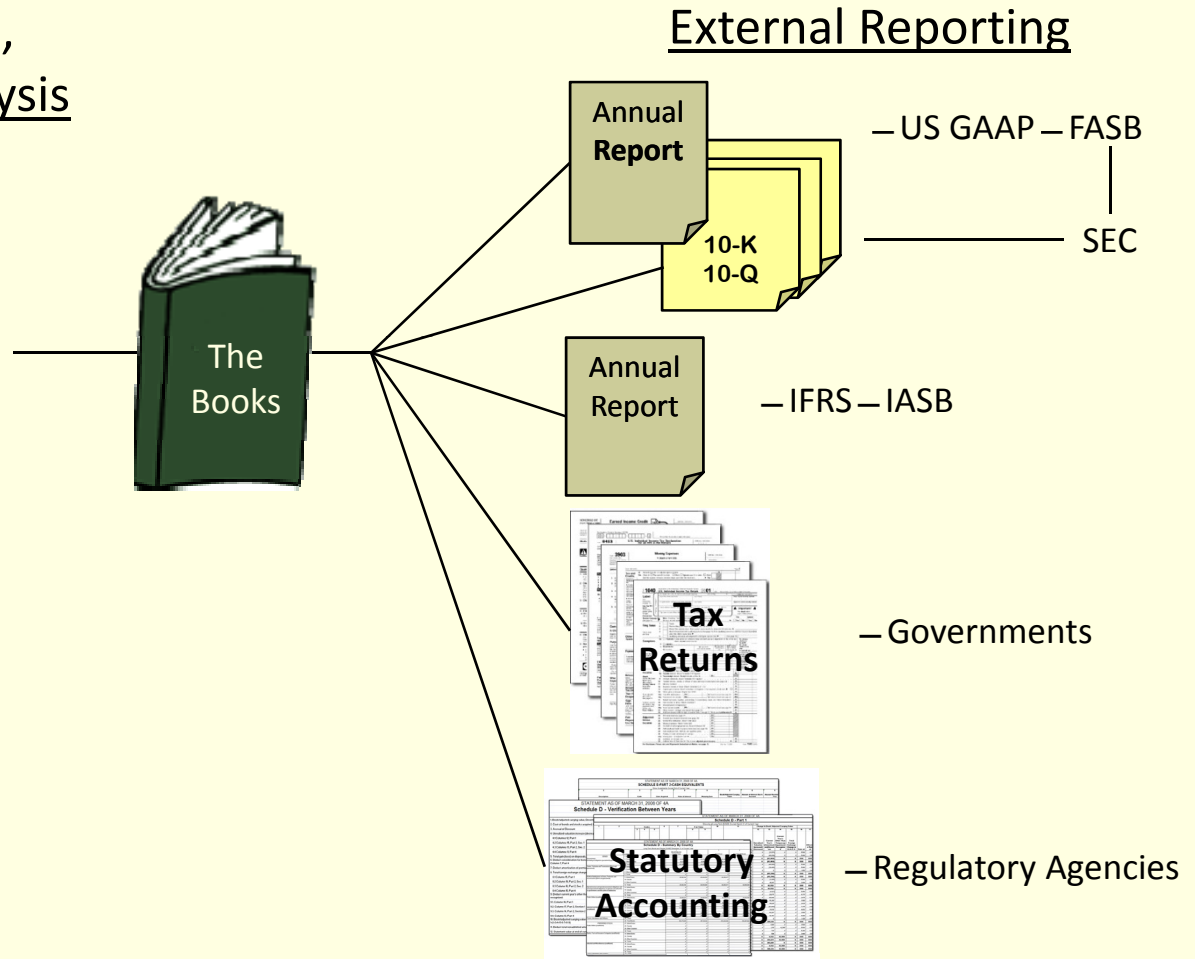
Brands Are Already on the Balance Sheet

From the Consolidated Balance Sheet of			
PepsiCo, Inc. and Subsidiaries			
(in millions)			
		2009	2008
ASSETS			
Current Assets			
Cash and cash equivalents		\$ 3,943	\$ 2,064
Short-term investments		192	213
...			
...			
...			
Total Current Assets		12,571	10,806
Property, Plant, and Equipment, net		12,671	11,663
Amortizable Intangible Assets, net		841	732
Nonamortizable Intangible assets		1,782	1,128
Goodwill		6,534	5,124
...			
...			
Total Assets		\$ 39,848	\$ 35,994

The Five Worlds of Accounting

Internal Planning, Reporting and Analysis

• Costing
• Planning
• Budget vs. Actual
• CAPEX
• Divisional P&Ls
• Incentives



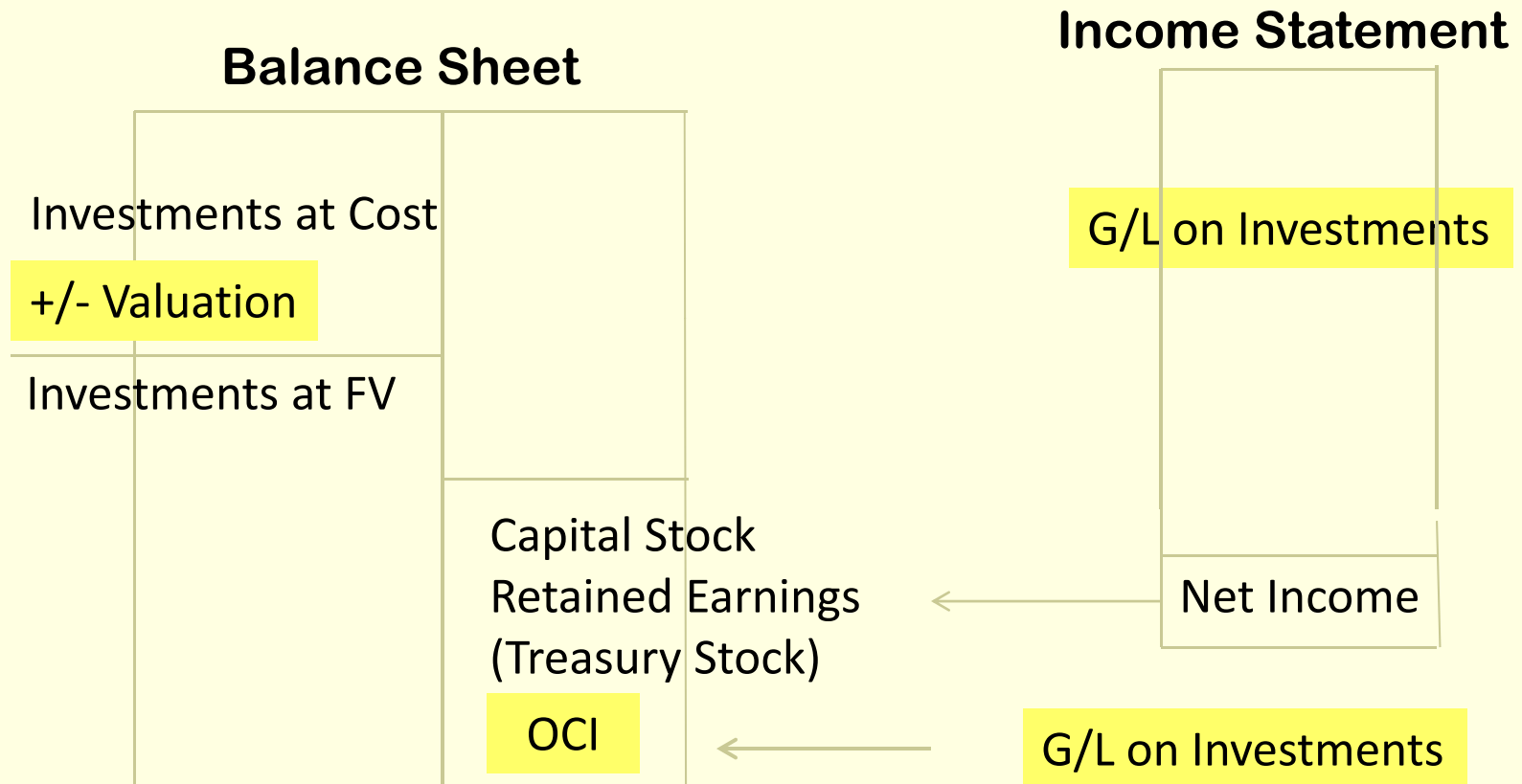
FASB Process

- Agenda decision
- Staff analysis
- Exposure draft
- Board deliberation
- Voting
- Final standards issued

FASB Agenda for 2011

- Revenue recognition
- Leases
- Marketable securities
- Fair value
- Other comprehensive income
- IFRS convergence

Other Comprehensive Income (OCI)



IASB Convergence Timeline

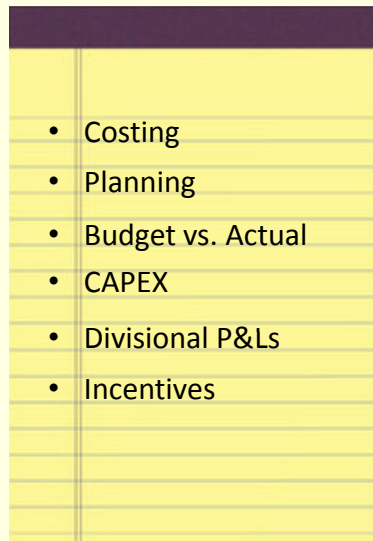
- 2011 SEC decision
- 2014 Large companies adopting
- 2016 All the rest

Major differences between US GAAP & IFRS

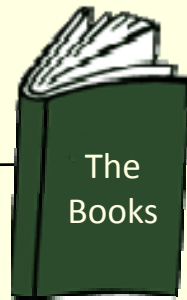
- Rules vs. Principles
- Valuation (Down vs. Down & Up)

The Four Worlds of Accounting

Internal Planning, Reporting and Analysis



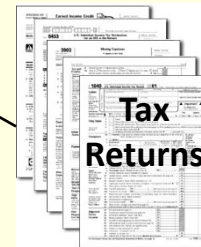
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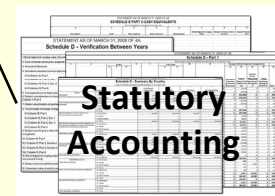
External Reporting



– IFRS – IASB – IOSCO



– Governments



– Regulatory Agencies

Other Avenues for brand valuations:

Supplemental Disclosures

Supplemental Disclosures - Example

Reserves Governance The company has adopted a comprehensive reserves and resource classification system modeled after a system developed and approved by the Society of Petroleum Engineers, the World Petroleum Congress and the American Association of Petroleum Geologists. The system classifies recoverable hydrocarbons into six categories based on their status at the time of reporting – three deemed commercial and three noncommercial. Within the commercial classification are proved reserves and two categories of unproved: probable and possible. The noncommercial categories are also referred to as contingent resources. For reserves estimates to be classified as proved, they must meet all SEC and company standards.

Supplemental Disclosures: Example Chevron

Summary of Net Oil and Gas Reserves

	2009 ¹		
<i>Liquids and Synthetic Oil in Millions of Barrels</i> <i>Natural Gas in Billions of Cubic Feet</i>	Crude Oil Condensate NGLs	Synthetic Oil	Natural Gas
Proved Developed			
Consolidated Companies			
U.S.	1,122	–	2,314
Africa	820	–	978
Asia	926	–	5,062
Other	267	190	3,051
Total Consolidated	3,135	190	11,405
Affiliated Companies			
TCO	1,256	–	1,830
Other	97	56	73
Total Consolidated and Affiliated Companies	4,488	246	13,308
Proved Undeveloped			
Consolidated Companies			
U.S.	239	–	384
Africa	426	–	2,043
Asia	245	–	2,798
Other	105	270	5,523
Total Consolidated	1,015	270	10,748
Affiliated Companies			
TCO	690	–	1,003
Other	54	210	990
Total Consolidated and Affiliated Companies	1,759	480	12,741
Total Proved Reserves	6,247	726	26,049

¹ Based on 12-month average price.
² Based on year-end prices.

Supplemental Disclosures: Example Chubb

ANALYSIS OF LOSS AND LOSS ADJUSTMENT EXPENSE DEVELOPMENT											
Year Ended	1999	2000	2001	2002	December 31						
					2003	2004	2005	2006	2007	2008	2009
(in millions)											
Net Liability for Unpaid Losses and Loss Adjustment Expenses	9,749	10,051	11,010	12,642	14,521	16,809	18,713	19,699	20,316	20,155	20,786
Net Liability Reestimated as of:											
One year later	9,519	9,856	11,799	13,039	14,848	16,972	18,417	19,002	19,443	19,393	
Two years later	9,095	10,551	12,143	13,634	15,315	17,048	17,861	18,215	18,619		
Three years later	9,653	10,762	12,642	14,407	15,667	16,725	17,298	17,571			
Four years later	9,740	11,150	13,246	14,842	15,584	16,526	16,884				
Five years later	9,999	11,605	13,676	14,907	15,657	16,411					
Six years later	10,373	11,936	13,812	15,064	15,798						
Seven years later	10,602	12,019	13,994	15,255							
Eight years later	10,702	12,170	14,218								
Nine years later	10,828	12,364									
Ten years later	11,011										
Total Cumulative Net Deficiency (Redundancy)	1,262	2,313	3,208	2,613	1,277 (398)	(1,829)	(2,128)	(1,697)	(762)		
Cumulative Net Deficiency Related to Asbestos and Toxic Waste Claims (Included in Above Total)	1,480	1,449	1,388	647	397	322	287	263	175	90	
Cumulative Amount of Net Liability Paid as of:											
One year later	2,483	2,794	3,135	3,550	3,478	3,932	4,118	4,066	4,108	4,063	
Two years later	4,079	4,699	5,499	5,911	6,161	6,616	6,896	6,789	6,565		
Three years later	5,306	6,070	7,133	7,945	8,192	8,612	8,850	8,554			
Four years later	6,196	7,137	8,564	9,396	9,689	10,048	10,089				
Five years later	6,909	8,002	9,588	10,543	10,794	10,977					
Six years later	7,453	8,765	10,366	11,353	11,530						
Seven years later	8,009	9,305	10,950	11,915							
Eight years later	8,402	9,714	11,390								
Nine years later	8,697	10,046									
Ten years later	8,944										
Gross Liability, End of Year	11,435	11,904	15,515	16,713	17,948	20,292	22,482	22,293	22,623	22,367	22,839
Reinsurance Recoverable, End of Year	1,686	1,853	4,505	4,071	3,427	3,483	3,769	2,594	2,307	2,212	2,053
Net Liability, End of Year	9,749	10,051	11,010	12,642	14,521	16,809	18,713	19,699	20,316	20,155	20,786

Talk to the CFO

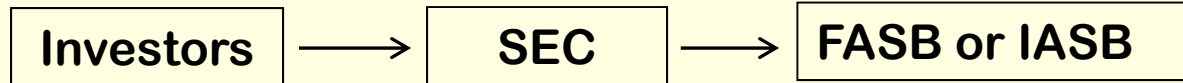
- **More assets are not better**
- **Volatility is a no-no**
- **Better not endanger our tax deductions**

Talk to the Investor Relations Person

- Who wants this information?
- Why do they want it?
- What will they do with it?

In Summary

- **First: Get brand valuation process/standards accepted by FASB/SEC for Merger Accounting**
- **Next: Sell the investment community on the board – the “Power Chain” is**



- **Start with Supplemental Disclosures**
- **Be sure the CFO is on board**



Thank-you!



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of the Marketing Accountability Foundation**