
MASB Standards Project

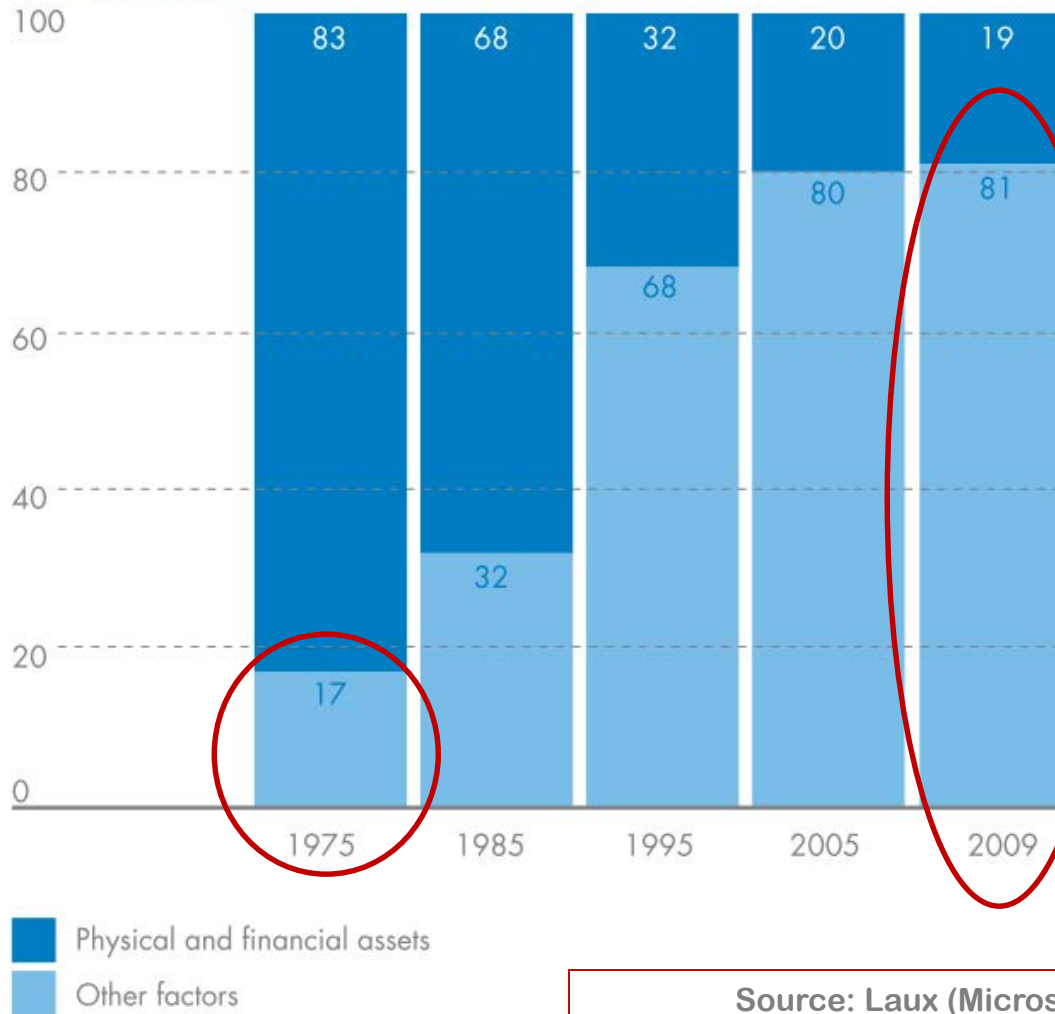
Improving Financial Reporting (IFR) Project Review & Status

**Jim Gregory
CoreBrand
Founding MASB Advisor
Co-Lead IFR Project
August 2014
Chicago**



**Marketing Accountability Standards Board
of the Marketing Accountability Foundation**





Components of S&P 500 market value



How much
the brand(s)?

The percentage of market value represented by physical and financial assets versus intangible factors, some of which are explained within financial statements, but many of which are not.

Value of Brand is Sizable

2010 - 2012					BV AVG	Mkt Cap	%
Amazon	10.9	19.9	33.1	13.6	19.4	94.0	21
Apple	66.5	40.0	139.8	43.8	72.5	411.5	18
Coca-Cola	31.5	30.6	72.0	73.4	51.9	159.7	33
GE	36.4	31.9	47.1	43.1	39.6	221.8	18
Google	34.9	41.6	111.2	56.2	61.0	220.2	29
IBM	31.2	36.3	101.1	68.8	59.4	221.3	27
McDonalds	16.7	21.4	80.7	36.4	38.8	91.6	45
Microsoft	40.5	40.7	77.1	59.3	54.4	242.1	23
Toyota	22.6	26.0	22.6	28.1	24.8	142.4	18
AVG	\$32B	\$32B	\$76B	\$47B	\$47B	\$200B	26%

While absolute values do differ by method...overall, the Corp Brand represents 26% of the firm's total Market Cap for these Top Brands. What other unaccounted for "intangible" could be quite that sizable?

IFR: Other Game Changer

Project	Improving Financial Reporting (IFR) (Gregory & Moore)	Strategy Partner w/financial reporting & investment communities, and educate re: Brand is a Cash Generating Unit & sizable intangible asset...so that financial returns from corporations will ultimately be driven and measured by buyer behavior in markets.
Issue Addressed	Intangibles >80% of Corp Value (need better info)	
Project Objective	Marketing at table when reporting of Brand Value is required for all brands	
Expected Outcome	Brand Value as KPI and/or MD&A Notes... better info for capital providers	
When	2015	

In dialogue with



The FASB and Accounting Standards-setting

Sue Bielstein, Director of Planning and Support

FASB

Presentation to MASB ([August 2010](#))



One Accounting Professor's Perspective on MASB's Objectives

Robert Bloomfield, Cornell University

Director, Financial Accounting Standards Research Initiative (**FASRI**)

Presentation to MASB ([February 2011](#))



ISO 10668: Brand Valuation

Christopher Schotz, Chairperson

ISO Committee on Brand Valuation

Presentation to MASB ([February 2011](#))

In dialogue with (cont)



Brand from the Investor Side

Wendy Pirie, Director Curriculum Projects
Education Division at [CFA Institute](#)
Presentation to MASB ([August 2011](#))



Fair Value Measurement & IFRSB Agenda

Hilary Eastman, Leader Investor Liaison Program
[IFRSB](#)
Various emails & guidance ([May 2011 – Feb 2012](#))



Communicating Value in the 21st Century

Change in Requirements for Reporting Intangible Assets

Bob Laux, Sr Director Accounting & Reporting
Microsoft Corporation

Working Member, International Integrated Reporting Council ([IIRC](#))
Member of the Global Preparers Forum (IFRSB)
Presentations to MASB ([February 2012](#))

In dialogue with (cont)



Improving Financial Reporting: Financial Analyst Perspective

Michael Corty, CFA, Senior Equity Analyst

[Morningstar](#)

Presentation to MASB ([August 2013](#))



Integrated Reporting: What it is and Where it Stands

Lisa French, Head of External Relations

International Integrated Reporting Council ([IIRC](#))

Presentation to MASB ([February 2013](#))

The IFR Panel (February 2014)



Esther Mills
President & Founder
Accounting Policy Plus
MASB IFR Team Attaché



Sandy Peters
Head, Financial
Reporting Policy Group
CFA Institute



Michael Moore
Professor of Accounting,
Loyola Marymount University
MASB Member & Advisor



Kunal Kahara
Director,
BlackRock



Justin Nash
Vice President,
BlackRock



Jennifer Hillenmeyer
Practice Fellow,
Financial Accounting
Standards Board (**FASB**)

Panel Summary

How Might we Accelerate the Improvement in Reporting?

- Most important is to align Finance & Marketing sides of the house (make sure those who have to do the work understand what is coming and why)
- Finish the BIV project/model for internal management application (how to manage/invest in the brand/asset for future growth and cash flows)
- Keep this Panel of FASB, CFAI, BlackRock, et al abreast of progress with the BIV model and application w/preparers
- Continue education activities regarding the brand as a cash generating unit & sizable intangible asset...
- and that measuring its value w/MASB “generally accepted brand investment & valuation standards” will give valuable insight into future cash flows
- Over time, work w/accountants to resolve issues surrounding impact on Income Statement, Debits & Credits, Impairment rules, etc.

IFR Milestones (2010 – 2013)



El Frame-Up 5/10

Leaders & Plan 8/10

Action Plan 10/11 +

FASB 8/10 & 2/11

ISO 2/11

CFA 8/11 & 8/13

IASB 2/12

IIRC 2/12 & 2/13

KPI.MDA Notes 6/12

CFR Paper 12/12

ISO Response 4/13

FASB Response 5/13

IIRC Response 6/13

Paradox Paper 7/13

JFT Paper 10/13

FASB 6/13

Def Intangibles 8/13

IFR Milestones (2014)



IFR Panel 2/14

JOBM Paper 5/14

MSI *JOBM* 7/14

Preparer Issues 8/14

Journal of Brand Management



...has established itself as the leading authoritative journal on brand management and strategy. It publishes original peer-reviewed papers which look at all dimensions of this fast-evolving field, drawing together cutting-edge analysis and the latest thinking from leading international figures in industry and academia.

A case for brands as assets: Acquired and internally developed
An unacceptable dichotomy hides important information from investors and masks the full contribution brands make to enterprise wealth. Under conditions of merger and acquisition, brands are mandated as assets; when they are internally created they are forbidden to be described as such...

by Roger Sinclair [Advisory Council of the Marketing Accountability Standards Board (MASB) and its Improving Financial Reporting (IFR) project team) and Kevin Keller [E.B. Osborn Professor of Marketing Tuck School of Business and Executive Director of Marketing Science Institute, a founding member of MASB]

Appeared in the May 29, 2014 issue (on website & copies here today)

Leverages *JOBM* paper

Investors Value Brands, Why don't balance sheets?

In 2013, eight years after P&G bought Gillette, the brand remains on the P&G balance sheet at its immediate post-transaction value of \$24 billion—even as P&G's market capitalization has risen from \$140 billion to \$218 billion in 2014.

From a brand management perspective, that's just wrong, according to Roger Neville Sinclair and Kevin Lane Keller: it masks the contribution brands make to enterprise wealth—and the marketing efforts that foster and enhance that value.

In an article in *Journal of Brand Management*, they explain why this financial contradiction occurs and call for a more accurate set of accounting standards.

Appeared June 7, 2014 MSI website

IFR Next Steps

- Review preparer issues re acquired brands (today)
- Work w/BIV team to address any issues
- Keep all financial & investment community partners abreast of progress w/BIV
- Continue the education process w/more papers & articles
 - Economist, CFO, et al
- Work directly with partners as appropriate
 - IVSC (Sir D Tweedie)

IFR Team

Team Leaders



Jim Gregory
CoreBrand



Michael Moore
LMU

Team Heroes



Roger Sinclair
At-Large



Dave Stewart
LMU



Becky Gregory
CoreBrand



Edgar Baum
Brand Finance

Admin



Meg Blair
MAF/MASB



Allan Kuse
MMAF Center

Team Meets: 4th Friday at 11:00 ET



Thank-you!



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