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# **MASB Standards Project**

## **Improving Financial Reporting (IFR) Project Review and Status**

**Michael Moore, Professor of Accounting  
Loyola Marymount University  
MASB Advisor  
Co-Lead IFR Project  
August 2013  
Boston**



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

# IFR: Other Game Changer

<b>Project</b>	<b>Improving Financial Reporting (IFR) (Gregory &amp; Moore)</b>	<b>Strategy</b> 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.
<b>Issue Addressed</b>	<b>Intangibles &gt;80% of Corp Value (need better info)</b>	
<b>Project Objective</b>	<b>Marketing at table when reporting of Brand Value is required for all brands</b>	
<b>Expected Outcome</b>	<b>Brand Value as KPI and/or MD&amp;A Notes... better info for capital providers</b>	
<b>When</b>	<b>2015</b>	

# IFR Milestones



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

FASB 6/13

Def Intangibles 8/13

# 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)



## ***Integrated Reporting: What it is and Where it Stands***

**Lisa French, Head of External Relations  
International Integrated Reporting Council (IIRC)  
Keynote Presentations to MASB (February 2013)**



## **Improving Financial Reporting: Financial Analyst Perspective**

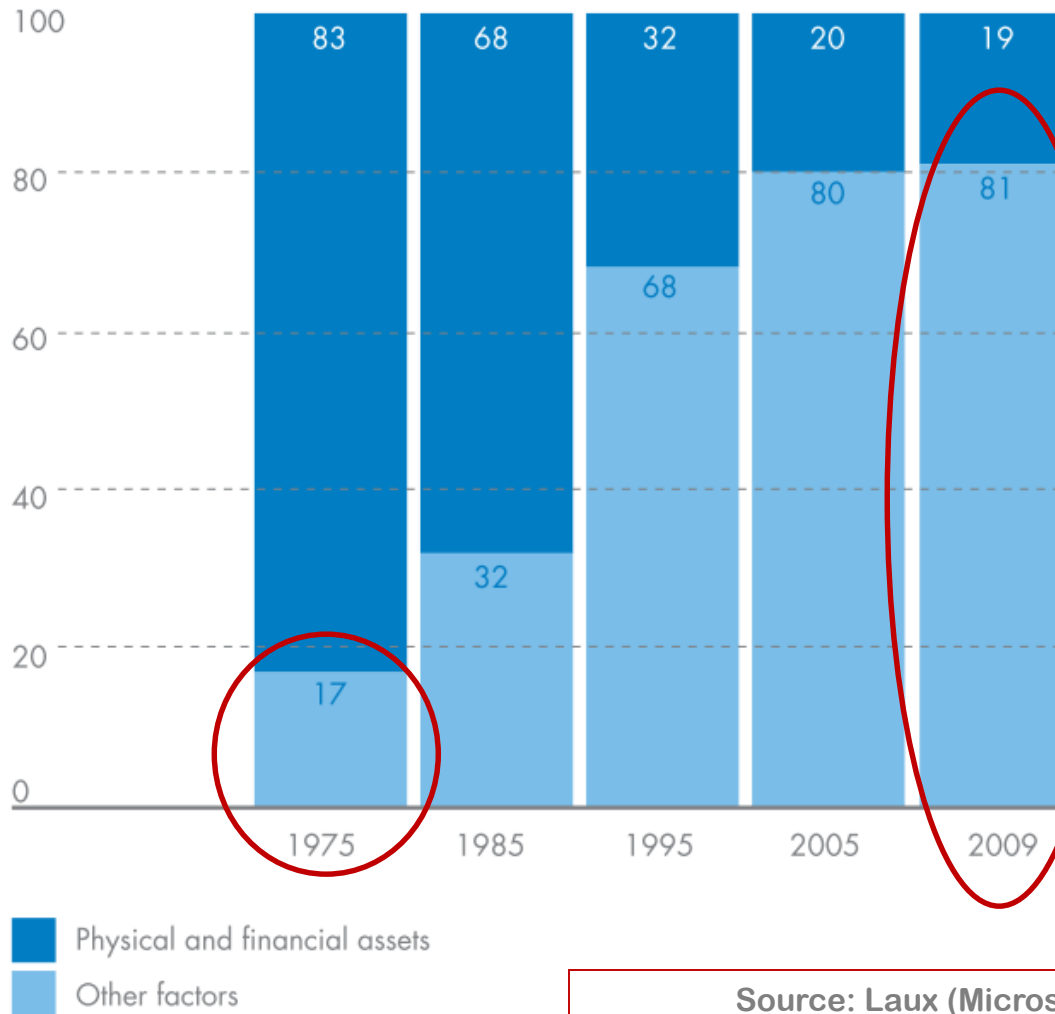
**Michael Corty, Senior Equity Analyst (CFA)  
Morningstar  
Keynote Presentation to MASB (February 2013)**



## ***Intangibles: MASB & FASB POVs***

**Conference Call w/Susan M. Cosper (plus teams)  
Technical Director, and Chairman, Emerging Issues Task Force  
FASB  
(June 2013)**

## 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.

# Should we care?

BIV Project/Team is addressing this issue, empirically, to arrive at “generally accepted brand investment & valuation standards.”

**% Mkt Cap**

**21%**

**Interbrand**

**25%**

**BRANDZ™**

**15%**

**BRAND-FINANCE®**

**CoreBrand**

2011	Value (\$B)	Rank	Movement	Change
Interbrand	\$42.8	#5	↓	-10%
BRANDZ™	\$50.3	#10	↑	+12%
BRAND-FINANCE®	\$30.5	#7	↓	-4%
CoreBrand	N/A	#25	↑	+2%

How to manage if not sure where it stands or if it's going up or down?





**On the one hand...**  
The variability of the alternative brand values makes their validity and utility highly suspect

**While on the other...**  
Their prominence and visibility necessitates proactively managing and interpreting the results.

Source: Cayabyab (GE) 2/16/12



# 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
<b>AVG</b>	<b>\$32B</b>	<b>\$32B</b>	<b>\$76B</b>	<b>\$47B</b>	<b>\$47B</b>	<b>\$200B</b>	<b>26%</b>

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?

# Proposed Note(s) for MD&A (6/29/12)

## Product brand value:

*“As of June 30, 2012, the senior management of Gadget Corporation value the Widget Brand at \$2.9B, up 7% from year ago, and 20% over the past 3 years. We estimate this value using the methodology provided by ValuePack LLC, a MASB qualified Brand Valuator.*”

## Corporate brand value:

*“We, the senior management of Alpha Corporation, believe the value of our corporate brand, as of December 31, 2011, is \$26.4 billion, up 2.7% from year ago, and down 3.8% over the past 3 years. We estimate this brand value using the methodology provided by BrandTop, LLC, a MASB qualified Brand Valuator.”*

# IFR Team

## Team Leaders



Jim Gregory  
CoreBrand



Michael Moore  
UCR

## Team Heroes



Roger Sinclair  
At-Large



Dave Stewart  
LMU



Leigh McAlister  
UTA



Becky Gregory  
CoreBrand



David Haigh  
Brand Finance

## Admin



Meg Blair  
MAF/MASB



Allan Kuse  
MMAF Center

Team Meets: 4<sup>th</sup> Friday at 11:00 ET

# IFR Next Steps

- **Proposal to MASB: 21<sup>st</sup> Century Definition of Intangibles**
- **Complete “Measuring Intangibles” paper**
- **Respond to IASB Discussion Paper (DP) regarding “Paradox”**
- **Continue dialogue and education w/financial reporting & Investment communities**



# Thank-you!



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