
MASB Standards Project

Improving Financial Reporting Panel: How Important is the Improvement & How to Accelerate It

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

The IFR Panel



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Discussion Guide (1)

- **Current State of Financial Reporting on Intangible Assets**
 - **Overview**
 - **Do investors need more information on intangibles? If so, what information is needed?**
 - **Examples: Google, Facebook, others**
 - **What is causing the delay in providing this?**
 - **FASB perspective**
 - **Challenges faced by preparers and auditors**

Discussion Guide (2)

- **Valuation of Intangible Assets**
 - **Is there any standardized approach today for valuing purchased intangibles?**
 - **How do analysts, preparers, and auditors deal with this?**
 - **What are key attributes the FASB is looking for in a valuation model?**
 - **Comment on MASB valuation models**

Discussion Guide (3)

- **Recent FASB projects on goodwill and intangibles**
 - **Trend towards simplification for private companies**
 - **Implications for public companies**
 - **Analysts' reactions**

Discussion Guide (4)

- **What is the best way forward?**
 - **Incremental approach – disclosure first, recognition later**
 - **Need for a viable valuation model**
 - **Principles- vs. rules-based approach**

How Important is Reporting of Brand Value?

Panel Summary

- In early 2000s, SEC Chief Accountant indicated that “intangibles” needed more representation on the Balance Sheet, given their growing importance in the market value of corporations
- The analysts and users recognize and agree with this perspective on a theoretical level and would like to have more information about brands in relation to their role in generating future cash flows
- The standard setters also recognize and agree with this perspective on a theoretical level but they are also aware of the complexity this may add for the preparers and the accounting issues surrounding impact on the Income Statement, how Debits & Credits will align, Impairment rules, etc.
- Analysts, users and standard setters are also cognizant of considerable “queasiness” on the part of the finance community on the preparer side, with uneasiness about the reporting when brand values go up/gain (auditor issue) and when they go down/loss (management/finance issue)
- All agreed that methods of valuing intangibles (including brands) should be totally transparent and based on “fair value” accounting principles (vs “cost”, “royalty” etc)

How Might we Accelerate the Improvement

Panel Summary

- 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.



Thank you!



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