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The Financial Accounting Standards Board: Profiles of seven leaders

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ABSTRACT

Since its inception over four decades ago, the Financial Accounting Standards Board (FASB) has been led by seven individuals who have served as Board Chair. This paper includes a biographical sketch of the individuals, their terms of service, standards topics and some points of commonality and difference in their prior experience and Board service. This study provides a synoptic review to assist those interested in learning more about the Board Chairs, and to inform as to the role and style of each individual in contrast to the others. The paper provides a foundation for future research of these individuals, their activities and actions through other historical research such as oral histories, collections of writings and speeches and similar catalogues of activity.

> ***What characteristics are most important for the job [at the FASB]?***
>
> ***"You really have to believe in the importance of this activity. It sounds a little corny, but it's really more of a calling than an assignment. Once you get here, there's an awful lot of negativity associated with the position. And unless you are firmly a believer, it could get you down fairly quickly.***
>
> ***A lot of people answer in a cliché, saying we have to have a real thick skin. I don't think that's really quite right. I like to say you have to have a medium skin because if you have a thin skin, the criticism will get to you and you won't be able to handle the position; if you have too thick a skin, it will appear, at least, that you're oblivious to reasonable criticism." [Dennis R. Beresford, as quoted in Norris, June 1, 1997].***

This research is motivated by an appreciation for the importance of assessing the contributions of individuals who have substantial leadership responsibility for the United States private sector regulatory body, the Financial Accounting Standards Board (FASB).

The FASB began operating in 1973 during an era when General Motors (GM) was the largest global corporation, and today the FASB operates in an economy where Apple's market capitalization approaches $1 trillion dollars and GM has been surpassed and reorganized in the wake of the financial crisis and the Great Recession. Issues that were faced by then GM Board Chairman, Thomas A. Murphy, an accounting graduate of the University of Illinois, included the recognition of pension and non-pension postretirement benefits (Miranti, 2003). A litany of other issues, which also were faced then including accounting for leases and techniques of valuation, persist to this day.

Since its operations began, there have been seven persons (six men and one woman) who have served as Chair of the board (Cheney, 2013). This paper supplies individual profiles and service records to identify principal background information in the order of each Chair's appointment. Following this introduction, a description of the mission and operation of the FASB is provided, followed by Summary Profiles [Table 1], and then a more extensive detailed section that includes brief survey essays for all seven Board Chairs. The purpose of these reviews is to identify evidence, patterns, trends, and incongruities relating to important topics that were or are signature activities or outcomes during their terms of service for purposes of facilitating future research to assess the outcomes of standard setting and the FASB as an institution.

Mission and operations of the FASB

The FASB is the primary accounting standard-setting body in the United States with corresponding influence throughout global capital markets. To achieve its goals, the FASB has adopted a substantial structure. The Financial Accounting Foundation (FAF) is the oversight body and oversees the provision of financial support derived from sources that include a funding through legislative derived sources. The FAF also appoints members of the Financial Accounting Standards Advisory Committee (FASAC). In addition, since its beginning in 1984, an Emerging Issues Task Force (EITF) has provided service to the FASB by addressing the proper ac-

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Table 1
Summary profiles of FASB members.

Name and years	College	Statements	Dissents	Dissent rate
Marshall S. Armstrong 1972–77 (Chair)	Indiana Univ., Butler Univ., Ball State	1–20	0	0%
Donald J. Kirk 1973–86; 1978–86 (Chair)	Yale University, New York U.	1–91	14	15.38%
Dennis R. Beresford 1987–97	University of Southern California	92–131	3	7.50%
Edmund L. Jenkins 1997–2002	Albion College, Univ. of Michigan	132–146	0	0%
Robert H. Herz 2002–2010	Univ. of Manchester	147–163	0	0%
Leslie F. Seidman 2003–2013 2010–13 (Chair)	Colgate University, New York U.	151–168 ***Effective July 1 2009, numerical standards ceased.***	2 + Inter. 0 as Chair	11.1% 0%
Russell G. Golden 2010-present 2013-present (Chair)	Washington State University	***Accounting Standards Updates (ASUs) now revise the Codification***	Ongoing	Ongoing

counting on new technical issues. Also in 1984, the Governmental Accounting Standards Board (GASB), with a structure somewhat similar to the FASB, was established under the FAF to issue standards for state and local governments. The seven members of the FASB (reduced to five members in July 2008 and then increased back to seven in late 2010) are appointed by the FAF for a five-year term and may be reappointed for one additional term. The Board currently has a Technical Director and a staff of over 60 professionals. The Board's mission is "to establish and improve standards of financial accounting and reporting for the guidance and education of the public…"

Accounting standards are necessary for the efficient functioning of the economy because decisions about the allocation of scarce capital market investment resources rely on business reports and financial disclosures that are timely, credible, transparent, and understandable. The FASB accomplishes its mission by focusing on the primary characteristics of relevance and reliability and on the qualities of comparability and consistency. Its task is continually challenged by the changing economic environment, new and different types of transactions, and the resulting changes in methods of doing business. In recent years, alignment with standards promulgated by the International Accounting Standards Board (IASB) has also been a priority of the FASB.

The FASB's decision-making process is based on an extensive "due process" procedure that was modeled on the Federal Administrative Procedure Act, and in some respects is more demanding. The first step in the process is for a topic to be added to the FASB's technical agenda. The agenda is but the origin of many further steps of due process as elaborated in Chapter 3 of Miller, Bahnson, and Redding (2016). Ideas for agenda additions reflect the interests of many constituents. Miller et al. identify the following among those who are most interested in financial accounting matters: the public at large, government regulators, financial statement users, managers of corporations, independent auditors and accounting educators (Miller et al., 2016, p. 8). These groups further are often identified as particular groups such as financial analysts, corporate preparers, the auditing profession and the U.S. Securities and Exchange Commission (SEC). Once an issue has been presented, the Board has historically voted on whether to add the topic to its agenda. The vote was based on such considerations as the pervasiveness of the issue, the extent to which alternative solutions might improve financial reporting, technical feasibility, the likelihood that an improved standard would be generally accepted, the extent to which global convergence would be enhanced, and the adequacy of FASB resources. During its first 35 years, the entire Board participated in the setting of the agenda, but beginning in July of 2008, that role was assigned to the Board Chairman. The change was somewhat controversial with some past Board members viewing the Chairman's singular responsibility with concern, while Board members in 2008 found the change innocuous and of no concern (Kranacher, 2008, p. 30). Nevertheless, the agenda-setting process was reversed again in 2013 so that the entire Board again participates more completely in the agenda process.

Marshall Armstrong was the FAF's first choice as a Board Chairman, although the minutes of the August 31, 1972, trustees meeting show that if Armstrong had declined, the second choice was Oscar Gellein, followed by Oral Luper, Kenneth Axelson, and John Queenan, in that order. It was noted that "Queenan's availability, in view of his commitment to the Federal Price Commission and his age, were factors in putting him down on the list." The FAF trustees had also considered Andrew Barr, the recently retired SEC Chief Accountant, but decided not to pursue him because of "…concern that he might be considered controversial." Although Marshall Armstrong quickly accepted the Chairmanship of the FASB when it was offered to him, at a salary of $125,000 per year, the other six appointments were not as easily chosen. With Armstrong at the November 14, 1972, FAF meeting, the trustees discussed who should hold the remaining six seats. Six individuals were unanimously approved, and six others were chosen as alternates in the event that those initially selected were not able to accept. Of the six unanimously chosen nominees, five of them responded "No;" Walter Schuetze said "maybe," and eventually accepted. The five who declined were Oscar Gellein (Haskins & Sells/now Deloitte), Donald Chapin (Arthur Young & Co., now EY), Reed Parker (Duff, Anderson & Clark, Inc.), Sidney Davidson (University of Chicago), and Kenneth Axelson (J. C. Penney). Gellein eventually joined the Board two years later. The initial six alternates were Donald Kirk, who accepted when Gellein declined, Kenneth Johnson (Lybrand, Ross Brothers & Montgomery, now PWC), Kenneth Stringer (Haskins & Sells, now Deloitte), Roy Anderson (Lockheed Aircraft), Robert Sprouse (Stanford University) who accepted when Davidson declined, and Allen Wear (Ford Motor Company) [Minutes, November 14, 1972]. Thus, of the first seven Board members, three (Arthur Litke, Robert Mays, and John Queenan) were not yet on the FAF's short list.[2] It cannot be determined from the minutes when Queenan was approved by the trustees (although he had been discussed at an early meeting as a potential Chairman). However, he was among the first three to accept, along with Schuetze and Sprouse. Of those who declined appointments to the Board, Davidson, Wear, and Parker were asked to serve on the FASAC and they did accept the appointment as volunteers to the Council. (Minutes, Meetings of the Financial Accounting Foundation, 1972–1973).

[2] Handwritten notes on Thomas A. Murphy's copy of the November 14, 1972, minutes, which were probably added at a later date—perhaps the next meeting—indicated which invitees had accepted and declined. It was noted that Allen Wear had responded with a "maybe." Underneath the typed names were the following names written in pencil: Oral Luper, Robert Morgan, Paul Nagel, Gene Vaughan, J. D. Edwards, Platt, Robert Northcutt, and Donald Hibbard. These names were likely those of individuals who were discussed as possible alternates. Although not founding members, Morgan and Northcutt eventually became Board members in later years.