

**Securities and Exchange Commission Historical Society**  
**Oral History Project**  
**Interview with Dennis Beresford**  
**Conducted on April 18, 2011, by James Stocker**

**JS:** This was an interview with Dennis Beresford for the SEC Historical Society's Virtual Museum and Archive on the history of financial regulation. The interview was recorded on April 18, 2011 at Mr. Beresford's office at the University of Georgia in Athens.  
  
Welcome, Mr. Beresford.

**DB:** Thank you.

**JS:** I thought I'd start at the beginning. Where were you born and where did you grow up?

**DB:** Los Angeles, California in 1938. I lived about half of my life in Los Angeles, from then until 1971.

**JS:** Were either of your parents accountants?

**DB:** No, my father was a salesman and my mother was a homemaker.

**JS:** How did you decide to study accounting?

**DB:** I had worked, actually starting about age eleven, different jobs and one of them was in a supermarket as a box boy, as we called it, and then as a checker and a shelf-stocker. One

of the people I worked with had a father who was a CPA and that sounded somewhat interesting. Also, I talked to the person who was the chief financial officer of the supermarket chain and he suggested I think about accounting. I actually started in college as a pre-med major and then as an international relations major, but neither of those seemed to work out very well. I sort of segued into business and then took a first accounting class and that just kind of hooked me.

**JS:** You studied at the University of Southern California, correct?

**DB:** I actually started at UCLA right out of high school. However, I just wasn't ready for college. I decided I would go ahead and get my military service out of the way, so I went into the Army for active duty for six months and then reserve duty for three years. That was just before the time people were going to Vietnam, so it was good to get that done. I came back and spent two years in a junior college and then went to Southern Cal. Southern Cal is a private school and by today's terms, \$500 a semester seems awfully cheap, but back then it was pretty expensive and I couldn't really afford it right away, so going to the junior college for two years enabled me to save up to spend my last two years at Southern Cal.

**JS:** Were you recruited by any accounting firms during your studies?

**DB:** Once I got to my junior year at USC, then yes, all the firms were interviewing on campus, and I had decent grades. I joined Beta Alpha Psi. There was the so-called Big Eight back

then. I could have signed up for interviews with all of them. I think I ended up interviewing with five or six of them.

**JS:** You received an award from Price Waterhouse while you were still a student.

**DB:** There were actually awards by probably – I'm not sure all the Big Eight firms, but several of them. I received the Price Waterhouse award. There were awards through the other firms as well, so it was not like I was the number one student, but I was one of the three or four most outstanding students. Of course, back then there were probably only twenty-five accounting majors. I was very proud of it, but it was not like I was number one out of several hundred or a thousand or whatever.

**JS:** Did you already know that you were going to join Ernst & Whinney before you graduated?

**DB:** It was pretty much between Price Waterhouse and Ernst & Ernst back then. The firm changed names over the years through mergers and for other reasons. When I had talked to Price Waterhouse, I told them I needed a part-time job to finish my schooling and to pay for it. At the time, they were not willing to give me a part-time job, so I then talked to Ernst & Ernst, and they were able to give me a clerical job in the office. Interestingly, when I went ahead and accepted that offer, literally about an hour later, after I'd said yes to Ernst & Ernst, Price Waterhouse called me back and said, "Well, we actually can give

you a part-time job after all." I said, "Sorry, but I've accepted the offer from Ernst & Ernst."

**JS:** How different things might have been.

**DB:** Exactly, exactly.

**JS:** You took your CPA examination the same year you graduated.

**DB:** Yes.

**JS:** Did California require work experience before students could take the exam?

**DB:** No, you had to have the educational requirement, so you had to be in your last semester to have the necessary credit hours toward the educational requirement. So I could sit for the exam. That's pretty much still true even here today, in Georgia. I was able to sit for it and was fortunate enough to pass all four parts of the exam while I was still a senior in college. But then I had to have two years' work experience before I would actually be qualified for the license. I passed the exam in 1961 but didn't become certified until 1963.

**JS:** In 1961 you began full time at Ernst & Ernst. What was your training like there?

**DB:** The training, for the most part, was on the job back then. In fact, I actually never went to my college graduation. I finished my last class on a Friday and was on the job on Monday. They were very busy right then and could not put me to work and I had gotten married about two months before graduation, so I needed the job and I needed the immediate cash flow.

The training, such as it was, involved several months later going into an office. Actually, I think it was in a dining club in downtown Los Angeles, sitting in a straight back chair for three or four days and being lectured by a senior partner. It was just awful. I'm sure it was somewhat helpful, being told some things you were supposed to do and not do and so forth, but it was just very rudimentary and not anything close to what the firms would do today. I'd say 95 percent of the useful training we got then was just what you learned on the job.

**JS:** Do you feel like the university education in accounting that you received prepared you well for your career?

**DB:** Yes and frankly, I'd say an awful lot of my education was self-education. I still remember asking a lot of questions. I was fortunate enough to be able to work on a number of different engagements in my first couple of years and remember asking questions where I would go from job one to job two to job three, different clients and see that we were doing similar procedures, but in slightly different ways. I would ask the

senior accountant, or whoever I was working for, why are we doing these things in different ways? What is it we are trying to accomplish?

Sometimes, I would get answers that would help me; sometimes I would find that the person really didn't know themselves and so it would cause me to think a little bit more about what is it that I'm supposed to be getting out of this. So a lot of it, as I said, was just on the job training, by doing it and trying to figure out myself what it was. Some of it I did get from the more senior people, but a lot of it I just had to figure out myself.

**JS:** Tell me about corporate culture at Ernst & Ernst at this time. What was the workday like? How did you interact with the partners?

**DB:** I didn't interact with partners much at all. They were there and they would typically show up near the end of the engagement to review things. I would be working with a senior accountant, who was usually three or four or five more years experienced than I was. They would be giving me day-to-day directions.

They would assign me things. I would do them and then they would review and give me review notes. I would go ahead and correct things, ask further questions of the clients and so forth. Then those work papers would be reviewed by what we called a supervisor, maybe a manager, maybe a partner. You might have to redo things two or three times before it would be satisfactory. My direct contact with the partner would be almost just social, that they would show up once in awhile, maybe have a cup of coffee with us.

Their interaction was primarily with the client and with the much more senior people on the engagement at that point. It wasn't until a couple years later, when I would become a senior or a supervisor, that I would be having much substantive contact with the partners.

**JS:** What was the workforce like there? Were there women in your office? Were there minorities?

**DB:** There weren't any women. I don't recall minorities. There might have been a couple, but not very many at all. We started hiring women soon after that. When I graduated from Southern Cal in '61, there were only two of the Big Eight firms, as I recall, who would hire women and I don't believe that Ernst & Ernst was one of them. But that was changing. At the time it was changing. It was very soon after that that it did change. There weren't very many minorities taking accounting. Even today, frankly, it's still hard to get minorities to go into accounting. Women are half of the accounting student body now. I don't know exactly what our head count is, but it is very close to 50 percent, if not slightly more than 50 percent.

Just at the time, things were changing. It was still at a point, for example, when I became a senior accountant or a supervisor or a manager, it was still at a point where you had to ask the client, "Is it okay if we bring a woman out on the engagement?" It was a while before we did that without asking.

**JS:** Hopefully things have changed by now.

**DB:** They've changed dramatically. I mean, these days the client may be all women, so you don't worry about it.

**JS:** That's true. So in those early years, what kinds of clients did you work on?

**DB:** I was fortunate. I had a wide variety of clients, for example Star-Kist Tuna Company. One of the great things there was they had a wonderful cafeteria, so we could eat in the company cafeteria. I remember they used to say that when they would go out on the fishing boats, they'd go out for as much as a month or more at a time, so you had to have a good cook on the boat or else all the fishermen would get upset. So they had a good cook in the cafeteria there, too.

I worked on Northrop Corporation, the aerospace company. I worked on the Los Angeles Angels baseball team; the Los Angeles Rams; which is now in St. Louis; the *Los Angeles Times* newspaper company; a large bank holding company. Many of these companies are still in business, but they've merged a few times. I got a wide variety of businesses to work on. I was very fortunate that I did not get pigeonholed into a particular kind of industry. Mostly SEC registrants also, so I had probably five or six registrants. Back then the Los Angeles office didn't have a whole lot of SEC registrants, so I was fortunate that I got exposed to a high percentage of them.

**JS:** Did you visit the sites for every single client?

**DB:** Yes, all the work was done in the clients' offices back then. Of course, there were no personal computers. There were no computers at all. That's exaggerating a little bit. People were just starting to have computers and so forth, but it was punch cards, etc.

**JS:** The company's books were literally books.

**DB:** Exactly. It was still very manually intensive, looking at checks and invoices and things of that nature. It was a lot of very tedious-type work, particularly in the first couple of years. Back then, I still tell people that the work tended to be extremely boring in the first couple of years. It got better as every year went by.

**JS:** Tell me about the steps of your career in California. Did you go to supervisor and then senior manager?

**DB:** I was a junior accountant. I think they called it staff or something like that, for the first year. Then I was a semi-senior and then I think I became a senior after two years, at which time I was actually in charge of small engagements. Then, two or three years in I started running the engagements. I was the senior in charge of some of those same engagements that I just mentioned. After either four or five years, I became a supervisor, which meant that I had seniors working for me. I was just in charge of kind of coordinating it and maybe I would be doing some of the important work myself, but for the most part I was having the work done by other people and I was just supervising.

Then I became a manager. They later changed that term to senior manager. That was the role I left the Los Angeles office in. I spent ten years in Los Angeles and had risen to the level of senior manager, or manager, I guess it was still, and was working on a series of very major clients at that point. Then they asked if I'd like to transfer to Cleveland.

**JS:** This was in 1971, that you transferred to the national office? Was it to work on accounting standards?

**DB:** Yes. They had asked me a year or so earlier if I was interested in transferring to the national office in Cleveland. First of all, I thought that was kind of an intelligence test. Why would anyone want to go to Cleveland from Los Angeles, in particular? I'm being a little facetious, but I really wasn't interested in leaving L.A. Both my wife and I were born there and I thought the business climate in Los Angeles was still very vibrant and felt that that was going to be my entire life, my professional life out there. If I, for whatever reason, didn't stay with the firm, I would move to a corporation or do something else out there in Los Angeles.

I actually had, I'd been told, leading up to 1971, I guess probably in 1970 when I'd been with the firm for nine years, and then in '71, earlier in the year, I'd been there ten years, that I'd been nominated for partnership in the firm. Then after the consideration of all the candidates around the firm, I didn't quite make it. In both cases, I was told that I was submitted very early and I didn't quite stack up against some of the more senior people.

The first time, you know, it kind of came across as, "Boy, this is really great, you know? I'm getting ahead pretty fast and that's sort of an early signal of I'm doing great." The second time I started thinking, "You know, maybe this isn't going quite as well." So when I was asked to consider the Cleveland situation, I said, "Well, maybe this is an opportunity to go there and show my stuff in person in the national office." I was told it was a two to three year assignment, working in the national accounting and auditing function, the technical function of the firm. That had always intrigued me. My wife was willing to do it. We had never been away from Los Angeles and this was an iron clad guarantee of coming back after a couple of years. So let's try it.

**JS:** Had you ever been asked to comment on an accounting standard before or had you ever thought about accounting standards in a very systematic way before?

**DB:** Not really. Other than just applying new accounting standards to my clients, I hadn't really thought about it, just in the sense that new rules come out from time to time and you have to apply them. I really had not thought much about why would I or the firm develop positions on them or try to affect them.

The position that I was actually recruited for was more of an auditing type of position in the national office, but as it turned out once I got there, the person who recruited me, who was the national partner in charge of auditing, there was another person coming in who was a lot more aggressive, who was going to take over the overall function, accounting

and auditing. He grabbed me and put me more into the accounting role than the auditing role.

**JS:** You became director of national accounting standards fairly quickly after arriving out there.

**DB:** That kind of evolved over the first two or three years or so. We only had a group of about five or six people. It was kind of jack-of-all-trades. The person that I had originally been recruited by was the auditing person, but I was doing that and I was doing a lot of other things, SEC reporting and auditing and accounting and independence matters and anything that came along.

Price controls was a big thing that happened just at that time. I was our first expert on price controls, because somebody had to be it. So for the first two or three or so years, we all pitched in and did everything. Then they asked me to stay longer. As I decided to do that and we sort of grew the area a little bit more, then I kind of became a little more specialized.

**JS:** How many people were working in the national office at that time?

**DB:** Well, as I said, initially it was only five or six.

**JS:** In the national office?

**DB:** Oh, no, in the national office. Well, it's hard to remember. It wasn't very large. The firm was quite decentralized and I'd guess maybe sixty, something like that, maybe more than that. But it wasn't a giant activity.

**JS:** It seems very small for such a large firm on a national level. These were the final years of the old APB. Did you work closely with them?

**DB:** No, the person who was the firm's representative was a fellow named Newt Halverson and he was actually just retiring. He had one more year to go and he was still there. The person I mentioned who glommed onto me was a fellow named Ray Groves. He was coming in at the same time. He was a young partner and he was going to take over the firm's national accounting and auditing group. Newt Halverson was sort of a guy who didn't ask for a lot of help. He just went to the meetings and did his own thing and didn't ask for a lot of help from Ray or me or anybody else. That was just their last year or so and then things started changing, obviously, with the new FASB and other things going forward.

**JS:** Did you observe these controversies during the final years of the APB, for instance, over business combinations and pooling of assets?

**DB:** I didn't really get directly involved. I'm trying to think of what the timing of those things was.

**JS:** I know that in 1970, the APB tried to pass a measure that would have banned the pooling method.

**DB:** I think that was a little bit before my time. I think that was just barely before I got there.

**JS:** You worked closely together with the new FASB?

**DB:** We brought in another partner, a fellow named Bob Mautz, who had been a professor at the University of Illinois. He was brought in more specifically to do those kinds of things and to write letters and be kind of our theorist. So I was dealing more with AICPA-type activity. The Accounting Standards Executive Committee, I became our representative there after a couple more years. Bob was dealing more with the FASB. I evolved into that a few years later.

I was helping on those things, and we all joined in helping develop the firm's position. It wasn't like Bob was dreaming these things up on his own. We had what we called a technical committee. We would ask for views from our partners around the firm and what clients thought about these issues. We tried to be practical in our views and think of what would be the operational challenges that people would have in applying the standards.

Again, I was a very young partner. I became a partner in 1972, so it wasn't like I was all of a sudden at the top of this. My role was evolving over probably five years or so.

**JS:** But one can imagine that you were exposed to all these issues and learning quite a lot in the process. At this time, in these early years in Cleveland, did you already have an interest in publishing articles?

**DB:** Not so much. I remember I had an opportunity to go speak at the Toledo chapter of the Financial Executives Institute, or maybe it was the CPA Society. It was virtually the first time I had ever given any kind of a presentation. About the same thing, I had a chance to do an article on something and I just felt that was sort of my thing. I'd better start doing those sorts of things.

**JS:** You published many articles over the years. I'm wondering if you remembered your first article.

**DB:** I've got a list of them here someplace.

**JS:** The earliest one I found was a 1974 piece in Management Accounting about how companies are reporting social performance, but there may be others.

**DB:** I think I actually have something back to about '72. But I don't think anybody ever pushed me to do that. I felt that was sort of my thing, to start developing myself. I was

not going to progress in the firm on the basis of bringing in a lot of new clients or things of that nature. I was going to develop myself as a technical person, becoming known that way. It was just something that I just kind of started doing. It just felt good to me, that people would want to hear me speak or have my thoughts in writing.

**JS:** Those were natural steps to take for someone who was interested in becoming known as a technical person.

**DB:** Yes. I can't recall that anybody ever said, "Do this," or "We're pleased that you're doing it." It was just that I felt that that was something that I should do. There's a prominent professor at Rice University, Steve Zeff. He wrote an article about this. He said that professional accountants just don't do this very much anymore. In the old days, the leaders of the firms would actually speak out on issues a lot.

Not too much of my writing has been taking positions on issues. Some of it has, but a lot of it has just been descriptive of things, but at least I've been writing. At least I have gotten out and spoken a bit. I think I have about 800 or so presentations and about a hundred or so articles.

**JS:** Of course, at this time many of the firms had in-house publications also.

**DB:** That was the part of the thing that Ray Groves and I did. I think most of the firms were not doing that, so I think Ernst & Ernst actually led the way in having those kinds of

things done. The other firms felt compelled to start doing it to kind of compete with our firm.

**JS:** I read that at one point in the 1970s, during a twelve-month period, you and Ray Groves together put out over a hundred articles.

**DB:** I saw that someplace and I don't really know the basis for that. That seems like a high number. I don't know who came up with that number. I saw that in some article and I kind of questioned whether that could be the case.

**JS:** It's good to set the record straight. But nonetheless, you still have over a hundred publications altogether, so it is a very impressive record by any standards. So at this time you were also involved in the National Association of Accountants, also, which has since changed its name, I believe.

**DB:** IMA, it's the Institute of Management Accountants.

**JS:** What did you do with the NAA?

**DB:** That was interesting. I actually started there when I graduated. I mentioned before I took the CPA exam when I was still in college and I passed it, but I couldn't get the CPA certificate for two more years. I wanted to start getting professionally active. Again, I thought that was good for my personal development. I couldn't join the local CPA

Society chapter. A senior manager in the office said, "Well, we're starting this new chapter of NAA," as it was called at the time, "out close to my home. Would you like to join?" I said, "Sure, that would be a good way to start getting professionally active."

I joined it about six months after I'd started with the firm. I found at that point that most of these professional organizations want people that are willing to start working and be assistant director and call up people to come to meetings and similar duties. So I did that and it was a good way to meet people who were financial executives. After ten years of doing that in Los Angeles, I was the chapter president in Los Angeles.

Then when I moved back to Cleveland, they asked me to become what was called the national director, which meant I oversaw several of the chapters in the area. I was later asked to be a national vice president. I'm still on a national committee. In fact, several years ago they asked me if I wanted to be nominated for national president. I said no, that was just more than I wanted to do with the organization. This next year will be my fiftieth year in the organization and I'm still reasonably active.

**JS:** Were you already active in the AICPA during these early years in Cleveland?

**DB:** No, the AICPA is a lot different. There, you do not become active until you are a fairly senior person, for the most part. I got active in '72, when they started a committee on social responsibility reporting and they asked Ernst & Ernst if we would submit somebody. The firm didn't have any idea what that was all about. Ray Groves said,

"This might be a good opportunity for you to learn something," so he nominated me. It was interesting. I felt way over my head on the committee, but I later published a couple articles about it.

**JS:** It was in 1976 that you became a member of the Accounting Standards Executive Committee. How did you come to join that committee?

**DB:** Well, that was the senior committee of the institute after the FASB had started. Previously the APB had been the – how should I say it – the profession's accounting technical body. When they turned that over to the FASB, they decided they still wanted to have some representation within the accounting profession. Mainly at the time it was thought that they would just use that to take positions on behalf of the accounting profession to share them with the FASB. Then they also found, after a few years, that the FASB could not get around to dealing with everything, so there were some narrower areas that the AICPA wanted somebody to deal with, so they started trying to fill in the holes. That was always a controversy between the FASB and the AICPA.

Our first representative on what we called AcSEC was a New York office partner, Harry Reiss. I carried his bag for a couple of years on behalf of our national office. And then when his term ended, Ray Groves asked me to replace him so I served for three years. And the Institute then asked me if I would chair the committee, so I served three more years as chairman, or six years in total as a member.

**JS:** Were these standard three-year terms?

**DB:** Yes. Well, I mean they were maximums. They were year-by-year. I think it was year-by-year. I think it was a maximum of three years and if you were screwing up you would not be asked to stay on for more than a year at a time.

**JS:** So you were the representative of the firm on the committee?

**DB:** Yes.

**JS:** And each of the Big Eight firms had a representative?

**DB:** Yes.

**JS:** Were there other members also?

**DB:** Yes. I think the way it worked was that there were the Big Eight and there were three or four other accounting firms, like Grant Thornton now. Then there would be a couple of smaller accounting firms and there would be an academic and a couple people from business. So there were like fifteen or so in total.

**JS:** You briefly mentioned the relationship between the AcSEC and the FASB. Now any time you have two institutions that are working on similar issues there's potential for a

rivalry. Would you say that there was a rivalry, or not a rivalry, perhaps, but a competition?

**DB:** There was and I wrote an article or two about that. The FASB, I think, would have preferred that AcSEC didn't exist at all. But the AICPA basically said, that's well and good, but FASB, you are not serving practitioners fully when you do not deal with some of these things that cover specialized industries, for example, or some of these narrow practice areas. There was a creative tension between the two, and we evolved it into a practice of where AcSEC would continue to do things, but it would be overseen by the FASB. They would have the right to tell us that something had to be fixed before it would go out as a final what we called statement of position.

**JS:** These statements of position, what were they exactly? I mean, the purpose was simply to be a position of the AICPA? As I understand it, they're not enforceable standards in the same way the FASB –

**DB:** Well, but they were. I think the SEC would have basically said that if there is nothing else on point, the statement of position would have to be followed by registrants. I think there was one on software revenue recognition, for example, that came along a lot later. There is nothing else that is available on that particular subject. The FASB has not dealt with it and if you are a software company and your revenue stream is subject to these rules, you should follow it. If you don't, you are not following GAAP, Generally Accepted Accounting Principles.

**JS:** Now one of the big issues in this period in the second half of the 1970s was oil and gas accounting. Did the AcSEC play a role in that debate?

**DB:** No, that was before AcSEC got involved. That was earlier.

**JS:** I think it started in 1975 and then it played out in '77, '78. Were you involved in this issue at all?

**DB:** Not really, that was the full cost accounting issue. No, that was between the FASB and the SEC.

**JS:** Around this time had you given any thought to the possibility that you might later join FASB?

**DB:** Well, yes and no. I thought that that would be a nice way to end my career. You had to retire at age sixty at Ernst & Ernst back then. I didn't see myself wanting to retire at that age, so whether I would go to the FASB or whether I would go to something like this, an academic job, I knew I probably wanted to keep working doing something. I certainly didn't think that I would go to the FASB at age forty-eight, which that's what I ended up doing.

**JS:** We'll go on now to some other boards that you served on and committees and councils. First I just wanted to ask you about how much time on a day to day basis did your involvement in the AcSEC take up?

**DB:** That's an interesting question. It changed over time. I was working with Ray Groves from '71 through '76. Then he became the deputy managing partner and then managing partner of the firm. Then a fellow named Bob Neary came in to become the accounting and auditing guru for the firm. Both Ray and Bob were terrific people to work for and with, I should say. Both of them pretty much had the attitude, and I mean this in a real positive way, of we love to have you do this, but you're going to kind of do it on your own time type of thing.

That's the way it worked. You couldn't separate what I was doing for AcSEC from what I was doing all the rest of the time. The issues that were being dealt with there were the same issues that I was dealing with in my day job. Everything that I was doing, whether it was writing an article or preparing for AcSEC or anything else I was doing, just blended all together. I worked very hard, and I continue to work pretty hard.

**JS:** That's how a forty hour workweek stretches into fifty and sixty.

**DB:** Yes, exactly. I never kept track of how much was allocated to this versus that. You had to prepare time reports for the firm, but all you really had to do was put down hours that were directly chargeable to clients. I never had very many hours that were charged

directly to clients. All you would do is if you had one hour charged to a client, the rest of the time would just be basically administrative. So you would just account for forty hours that way, even though you were working many more.

**JS:** In 1980, you began to serve on the FASB's Financial Accounting Standards Advisory Committee, FASAC. What was that experience like?

**DB:** It started off very interesting. On my first meeting I was robbed going to the meeting.

**JS:** Well, you can't trust accountants can you? Oh, going to the meeting.

**DB:** I was taking the train from Cleveland to the airport and I stopped to change trains at a particular place that I'd never done before. That proved to be an unwise decision, because a couple of guys got off with me and relieved me of my wallet; fortunately, they didn't beat me up. I missed that particular meeting. FASAC was interesting. I already knew the board members and a lot of the people, but it exposed me to a lot of other high level individuals at FASAC, such as CFOs of major companies. One of the people at the time subsequently became Secretary of Treasury, Paul O'Neill.

Almost every job I've had throughout my life, I've always felt like I'm over my head.

You go to these meetings and a lot of smart people are talking. You try to figure out one or two semi-intelligent things to say during the meeting. I always feel like I'm learning a lot more than I'm contributing.

**JS:** It sounds like you like a challenge.

**DB:** Yes, exactly. This was no different than that. They were great learning opportunities, getting to know these people and getting to be on the insides of what is happening on the major projects and so forth. You feel you're making a modest contribution, but you're getting a lot out of it personally and on behalf of the firm.

**JS:** How often did FASAC meet?

**DB:** Once a quarter. They've been doing that for a long time. The person at the time who was the chairman was a fellow named Paul Kolton. He was just an absolutely wonderful chairman of the group. He was just a terrific person in bringing out all of the different people in the vast group of different views.

**JS:** While you were on the FASAC, you served on an advisory committee to the FASB on timely reporting guidance.

**DB:** That was what led to the Emerging Issues Task Force.

**JS:** What did this committee's work involve?

**DB:** That was basically the idea, that there were a lot of issues that needed some resolutions that weren't being covered by the FASB and what could be done with them. I think a lot of people thought that maybe the AICPA should be doing more with these things. The FASB did not necessarily think that was the right answer. I don't recall all of the thought process that went into it, but there were some senior CFO-types that were on the panel, along with a couple of auditors, including me.

I remember some of the CFOs were of the view that they deal with these kinds of issues all the time. They just have to resolve them on a judgmental basis, so why do others need so much more guidance? Whereas the accounting firm types basically wanted an answer for everything. That group met several times, or at least a few times. I think they sought public comment on their proposals and it evolved into the recommendation for the Emerging Issues Task Force. The FASB decided to go ahead with that.

**JS:** Yes. We'll get to the EITF here in just a minute. In between, I'd like to ask you about your service on the International Accounting Standards Committee.

**DB:** When I finished with the AcSEC, which had obviously taken a lot of time, then somebody from the AICPA called and said, "How would you like to be one of the two U.S. representatives to the International Accounting Standards Committee?"

**JS:** Do you remember who it was that called you?

**DB:** I don't remember, no. I said, "What is the International Accounting Standards Committee?" Probably my first reaction. I probably talked to Bob Neary, my boss, and Ray Groves. I think the general reaction was that this probably was not something that was terribly important to the firm or terribly important to the profession or to the development of accounting, but you know, it could be interesting. If you want to do it, fine.

**JS:** On your own time.

**DB:** Well, it kind of was the same way. It was going to require like three meetings a year for a couple of days. It was more than a couple of days. It would be a three-day meeting in London, usually in London, or some other place in the world. I said okay. I did it for two years. I could have served for three years. The third year, the EITF was beginning and so I opted out of the third year to be our firm's representative for the Emerging Issues Task Force.

I enjoyed it. It was intellectually very interesting. Back then I just felt it was like nothing really is happening. It is not of any particular value in the U.S. It is not likely to have any near-term effect on us.

**JS:** There was not much talk of international accounting standards at the time.

**DB:** Not really, no. That was way before. Its time had not come.

**JS:** What sort of issues was the IASC working on at this time?

**DB:** I don't even remember what the issues were. I think inventory was one, if I'm not mistaken. It was interesting in the sense of meeting different people and seeing the different perspectives that they had. It was also frustrating. I mean, you would fly to these meetings. Wherever it was, most of them were in London or Paris or someplace like that, so it would wear me out. A lot of the people, English was not their first language and I would have a hard time understanding them. Many of them were not really accountants. Or they were accountants, but they were not technical accountants, so they did not understand the issues as well as I thought they should.

**JS:** Were you very familiar with different national accounting standards at this time?

**DB:** No. I learned a lot. To be frank, I learned that they knew a lot more about us than we knew about them, which is probably true in general about a lot of things globally. Again, it was probably a worthwhile thing for me. I met a lot of people during those two years, including the person, for example, who is now the chairman of the IASB, David Tweedie. I got to know some people quite well. I think it was all-in-all a worthwhile experience for me. But it wasn't something that I felt that it was that good of an investment of the firm's time and money.

**JS:** You were one of the initial members of the FASB's Emerging Issues Task Force in 1984. How did you come to serve on that task force?

**DB:** Under the terms of the EITF, the firm was going to have a representative. I was the partner in charge of accounting standards or the national director of accounting standards, whatever the title was at the time. I was the logical person to do it.

**JS:** Did the firms think that the EITF was a good idea? They were supportive of it?

**DB:** Yes. It came out of the committee that I mentioned. We were very much in favor of it. I think it did get off to a good start.

**JS:** The EITF always deals with lots of different issues, but during these first few years it was particularly busy. There were dozens of issues that you dealt with. Do any stick out in your mind as important?

**DB:** Honestly, it's been such a long time that I don't remember. 1984, as I recall, was the first meeting. That's just too long ago.

**JS:** There were so many. I think I read that during the first year they met eleven times and dealt with something like sixty issues.

**DB:** We went through periods there. We were meeting every month and right now it is probably every other month that they're meeting. I know we went through a time when I was chairman of the FASB where they were getting very few issues. We went through a study of the EITF to find out why that was and we changed some of the procedures to try to reinvigorate the EITF. But back then, it was pretty hot and heavy.

**JS:** There's a *Wall Street Journal* article from this period, from 1986 to be exact, that describes you as a quote, unquote, activist member of the EITF. Did you feel like you were one of the more active members at the time?

**DB:** I don't recall the article. That surprises me a little bit to hear that, in hindsight. I mean, I think we wanted to use it. We wanted to take advantage of the group. I think it was always Ernst & Ernst's, probably by then it was Ernst & Whinney's, idea that it was best to get these issues out on the table and resolve them, as opposed to just hiding them or taking our own position and worrying about being second guessed. It might have been part of our philosophy that if we had a difficult issue we would tell the client that we think it is in our interest and their interest to bring it to the attention of the Emerging Issues Task Force and let it get addressed that way.

**JS:** So the client also has a say in the issues that get referred to the EITF?

**DB:** Well, I mean, yes and no. A lot of them are generic issues that we just think need to be brought up, developing new things like a tax law. Sometimes there might be things that

are more specific to a particular situation. It would be pretty rare that it would be client-centric, if I could put it that way. It still might be something that would be fairly specific to a client, but would still have broad applications. We wouldn't bring a one-off kind of issue to the Emerging Issues Task Force, but something that would be important to one particular company, but still could have application to a lot of other situations as well.

**JS:** So about this time, at the end of the 1980s, the Savings and Loan Crisis began to emerge. Did this have any impact on accounting standards?

**DB:** Yes, it did. It had a lot, actually. I'm trying to think back. The FASB was looking into fair value accounting, in particular. The AcSEC was looking into different issues. I can't really remember how I was personally affected, to be honest with you, at that time. I know we had some situations in the firm that were problematic.

**JS:** So Ernst had a few S&L clients?

**DB:** Yes, I can think of a couple situations where I had to go out and be the bad guy and sit across the table from a client, and say this is the position we're going to take on something. The firm just had to sort of draw the line on some issues, of some problematic accounting.

**JS:** Did it help the engagement partners or the people working on the case to bring you in from the national office and say, "Here's our technical expert on accounting standards,"?

**DB:** Yes, that happened. Not all the time, but it happened from time to time that there would be a situation where, it was not that our people did not have the courage to do it, but it was just a little easier to have somebody from the national office come in and meet with the client and explain to them why it was the firm's position that this is what they were going to have to do. And frankly, to try to tell them why it was in their best interest that this was a position that the firm was going to have to take. Some cases that got through to them, some cases it did not. One way or the other, the firm was just going to draw the line.

I can remember one particular case – probably should not be talking about this, but I'll say it anyway – where we had a case where I went out to one office and we had a fairly large conference room and several people from the client and two or three engagement people all sat on one side of our conference table. I was the only person sitting on the other side, telling them that they couldn't do this. I felt a little outnumbered on that, but we reached the right decision, being the firm.

**JS:** A little inter-firm squabbling. So in 1987 you got the phone call from the FAF, asking you to join the FASB as chairman.

**DB:** It was '86 actually.

**JS:** '86 that you got the phone call? Was this expected?

**DB:** No, it was a crazy situation, actually. Early in '86, I received a call asking if I would be interested in being considered. At the time, of course, I was with the firm and was forty-seven years old. I thought sometime later in my career this might be interesting, but not that soon. Leaving at that point just was not quite as attractive as at a later date, but I thought about it a lot. I thought, "Gee, serving as the chairman of the FASB, which is the way it was sort of put to me, was a lot different than just going in as a board member."

I agreed to at least go through the interview process, which I did. In fact, one of the questions that was asked of me by one or more of the trustees was, "Would you be interested in serving on the board if we wouldn't consider you for chairman?" because they could have, theoretically, brought me in as a board member and then made somebody else chairman. I said, "No, I'm not, because again, what I'm doing right now is very interesting and valuable to me. I wouldn't really be willing to give that up just for a regular board position at this point." So those initial interviews with most of the trustees took place in March, April, May, something like that, of '86.

**JS:** Was it a single interview or were there several?

**DB:** No, I talked to probably, I can remember, at least two or three of them individually, and then had some group interviews. I'm not sure that I talked to every one of the trustees. I knew some of them previously, but I had at least four interviews. Several months went by, hearing nothing. About July I received a phone call saying that the trustees had been

working on this and I was out of the running. They had agreed to finalize or to cull the candidates and that they had decided that they had two finalists and I was not one of them. Thank you for being considered, or for considering us, but we are going to move on. I said, "That's fine." I was happy in what I was doing and it was a long shot anyway.

A couple more months went by and around the 15<sup>th</sup> of September I was in a meeting room in New York City with my firm and got a phone call. It was Duane Kullberg, of Arthur Andersen. I don't think he was the chairman of the trustees, but maybe he was, but he was at least the chairman of the selection committee of the trustees foundation. He got right to the point. He said, "Denny," he said, "I want you to know that the trustees have just elected you the new chairman of the FASB. Will you accept the appointment?" I said, "Yes."

**JS:** So you said it without hesitation?

**DB:** Right. I think I went into shock immediately. Then, "What have I just done here? I should have at least asked him a few more questions or called my wife or done something."

**JS:** Clearly that worked out, though.

**DB:** It worked out. I never heard the whole story, but I think what happened was that on the other two candidates, they were split. Half of the trustees loved candidate A and didn't

love candidate B and vice versa. So I was the compromise that nobody loved, but nobody hated me. But anyway, it worked out. It worked out fine.

**JS:** Of course, as FASB chairman you hope to be neither loved, nor hated, I think.

**DB:** Well, I guess that's right.

**JS:** Did you have any idea at this point of the controversies that lie ahead?

**DB:** Yes. I knew of all of the issues. The board already had several projects underway. In fact, my very first week on the job, I conducted a public hearing on accounting for income taxes. An exposure draft was outstanding and we had a public hearing and that was very controversial. They were working on stock options and a number of other projects. It was quite clear that the board was dealing with controversial issues and the firm, with my assistance or leadership, had positions on many of those things.

**JS:** There was an interim period between the time you were selected and the time you took over. How did you go about preparing yourself for this position?

**DB:** Most of it was just the personal aspects of it, getting ready to move and buying a home and getting ready to move out of our existing home and things of that nature. I did ask the FASB to provide me with reading material, particularly for the accounting for income

taxes, the public hearing that was going to be conducted. I wanted to read the comment letters and related materials.

It was a little bit of drinking out of the fire hose of getting ready for the new job and taking care of the personal aspects, and then just the normal aspects of leaving a position, and people wanting to talk to me and wishing me well and so forth. Of course, it was the worst possible time, leaving in the middle of a school year and winter season, and moving in on a day when it was snowing six inches.

**JS:** You mentioned income taxes. As you said, this was already on the table. In 1987 the FASB approved FAS 96. But the implementation of this standard was delayed. Why was that?

**DB:** Well, it was a disaster, basically. The board moved ahead on that statement later that year. It was theoretically a good statement, but practically it just did not work. It came up with answers in certain cases that just did not make a lot of sense. More importantly, it was just an operational nightmare for companies. They convinced us of that and the board deferred its application a couple of times.

Then a few years later the Board issued Statement 109. While probably it was not perfect, it was much better received and I think has proven to be a superior standard. So you might say that that is an indication that the Board's system is pretty poor, since they would go ahead and issue such a lousy standard. On the other hand, I think it is an

indication that the system does work that the board was willing to admit that, albeit after a fairly lengthy study time, after another year or two that a lousy standard had, in fact, been issued and went back and revised it.

**JS:** What about medical benefits? That was also a major issue during this period.

**DB:** Right, now that was an interesting one. That one was just getting started at the time I began, so I had very little background in the project. I probably knew very little about it. Of course, it was a carry-over or supplement to the pension accounting project that had been completed a couple years earlier. That, frankly, I think is one of the best projects the FASB has ever done. We called it OPEB, other post-employment benefits. It was very controversial, again, because most companies weren't accounting for these.

Before, in pensions, companies were accounting for pensions, but they were using different methods and they were not very consistent and they were not necessarily very good. For retiree health care costs, they were not accounting for them at all. It was pretty much pay as you go. There were huge unrecorded liabilities. At least initially, companies fought the board and said these are not real liabilities. We could discontinue these plans any time we wanted to.

Many of them, if not most of them, were the General Motors, the Bethlehem Steel, the Rust Belt-type companies. They said, "Gee, if we had to record these it would devastate the companies or we would have to discontinue these plans." Many companies, in fact,

have actually discontinued or greatly reduced those benefits now that they have figured out how costly they are. The board, mainly due to an outstanding project manager we had, Diana Scott, did a terrific job in developing a standard and communicating very well with our constituents and working on that for the better part of four or five years, as I recall.

We got lots of negative feedback from the business community and others. We were challenged by people asking through the SEC if we had done all of our due process procedures. I remember we got somebody from the SEC to come down to examine our due process. We put our binders holding all the things that we had done that practically covered a whole conference table. They looked at it once or twice and said, "I guess you guys must have done this okay."

When we were all through with this project, we received comments from people like Jack Welsh of General Electric who basically said, "You know, you guys really did the right thing on this. This was a real liability and something that we should have been recording all along." Those were not exactly his words, but something along those lines. Those were not the words that they were using when we were in the initial stages of the project. That's one I felt probably the best about in my entire ten-and-a-half years at the FASB.

**JS:** In 1989 the Business Roundtable even asked the SEC to set up an oversight group for the FASB, because they were so concerned about some of your projects. At this point in

time, before the stock options issue, did you ever have any concern about the future of the FASB?

**DB:** Sure. This was a constant theme. It is not something that just jumped out of nowhere. It was just a question of degree. It would be there on almost every project, whether it was retiree health care, whether it was stock options, whether it was income taxes, whether it was marketable securities.

There was one or another group that was upset about the board and if they could not have their way directly by simply sending us comment letters and asking us to change our mind, then they would go to their friends in Washington. They would go to the SEC. They would go to Congress. They would go to Treasury; whoever they thought could help them influence the board to change. Those varied again, in degree of concern and how serious they were, how much they spent, how many letters they sent, how many meetings they had. It became a question of how serious it was.

**JS:** Stock options were –

**DB:** Stock options was by far the worst. That was the one where Senator Lieberman introduced his bill that effectively would've put the FASB out of business for all practical purposes. That was the one where we truly did become concerned. It did become a game of chicken and we chose to back away on that one.

**JS:** So the board added stock options back to its agenda I believe in 1982. When you added the issue, were you aware that it would be that controversial?

**DB:** Well, we actually had it on the agenda before I got to the board. We actually spent a fair amount of time on it in my first year or two there. I don't remember the exact sequence, but it was decided at some point that we should table it for a while because of conceptual issues of what is a liability versus what is equity? The accounting for liabilities and the accounting for equity is quite a bit different in terms of what goes through the income statement versus not. That was, I think, what you're referring to. That caused us to put it on the back burner. I don't think it was a case of ever really taking it off the agenda, but it was sort of put on hold.

**JS:** So you did not work on it.

**DB:** Right, we did not have an active project for a couple of years there. Once we had gone through that conceptual project, we realized that was not helping us very much, so we felt obligated to bring it back again. Plus, there was some political heat that was being raised, particularly by Senator Levin, as more of a tax issue at that time. So we brought it back at that point and that's when it started really heating up. We were also getting pressure from the AICPA and others that said this was continuing to be a real technical accounting issue as well.

**JS:** In 1994, the board issued an exposure draft. Tell me about the reaction to that.

**DB:** The reaction was not very favorable, to say the least. Basically everybody hated it. The accounting firms were all negative. The largest accounting firms were unanimously in opposition. The AICPA, all corporations – there might have been one or two that were lukewarm in favor of it.

**JS:** Looking back, was the FASB ready to wage the public relations war that would be fought?

**DB:** I don't know. We were probably a little politically naïve about it at that point. But I think so. I think we probably felt that we had the right thing and we felt we'd been given the mission to do this in the first place. The AICPA in particular and even the Financial Executives Institute had asked us to work on this project. The problem was that that had been several years earlier, and we took too long to get to the answer. We still felt we had their backing, which just wore out way too quickly.

We just felt that we were technically or theoretically correct, sort of on the side of the angels. I think we felt we had some support in Washington through Senator Levin or otherwise. Ultimately, if we did the right thing, that somehow that would be enough. Honestly, among certain board members there can be somewhat of a holier-than-thou attitude. Do the right thing and that will be enough.

**JS:** Is that a strength or a weakness?

**DB:** It's both. You don't want to be cowardly in backing down in the first instance. In the case of the other post-employment benefits project, for example, if we had backed down right away to the pushback that we received, we would have never come out with the answer that we had there that proved to be fine. It's a question of understanding what you can do and what you can't do.

**JS:** Many of the board members traveled and spoke in favor of the proposal, often to hostile audiences. Did this ever happen to you?

**DB:** Well, yes. I led the way. I mean, not all of the board members did. I mean, a few of them did, frankly, but most of them sat in Connecticut, other than the public hearing we held in California.

**JS:** Tell me about some of the audiences you spoke to.

**DB:** In particular, we went out to San Jose on three or four occasions. Nobody physically harmed us or anything like that. We got some pretty nasty comments, but I always felt it was better to go talk to the people and let them have a chance to see you and try to reason with you and make sure that you heard from them firsthand and that you gave them an opportunity to convince you. I think they gave us some credit for doing that, for reaching out and not being afraid to go speak to them. It was probably frustrating to them too, frankly, that we would go and listen to them, but still not change our minds.

**JS:** Did the trustees offer any input into the board's deliberations?

**DB:** Not really. I think the trustees back then were not nearly as supportive as they are today. It changed a lot right near the end of my term, when Arthur Levitt started putting pressure on the trustees. Back then they were a lot more sensitive to the pressure that was coming from the business community. They were more thin-skinned than would be the case today. They could not understand it either, why we were doing these things.

**JS:** In his memoirs, Arthur Levitt says that he eventually encouraged the board to back away from its proposal. Was that the turning point in the FASB's decision or was there some other point?

**DB:** No, we had already decided that. We met with him privately on a couple of occasions. But by the time he had told the board members that he was going to no longer be able to support us, the die had been cast.

**JS:** Do you remember the moment when that decision was made?

**DB:** Let me back up just a little bit. I mean, Arthur Levitt was really terrific on this project. When he became chairman, when he went through his confirmation hearing that was one of the questions they asked. In fact, they asked more about that than almost anything else. He basically said he would keep an open mind.

Through his first couple of years at the SEC he probably spent more time on that issue than a lot of other things that he should have spent more time on. All of the other commissioners at the SEC over time spoke out against the accounting for stock options, whereas Arthur kept a neutral position up until the very end. Then he finally came and met with us and said, "You guys are just going to have to decide what you are going to do, but I will tell you that I don't have the political will to support you on this. The legislation is likely to go through and you're probably not going to win on this thing." That was pretty much it. But I will tell you, by the time that meeting took place, we had already had the votes that were going to go that direction.

**JS:** What was the factor that concerned you? Was it the legislation?

**DB:** Yes, the legislation, pure and simple. Five of the seven board members at that point, as I recall, basically concluded that the legislation would be successful and the result of that legislation was such that the FASB's process would be emasculated. Any project from that point on would have to be redone by the SEC before it would become effective, so there would not be any reason for the FASB.

**JS:** It was Senator Lieberman's bill that was up for debate, right? What would that bill have done?

**DB:** That's basically it. First of all, it would have said that nobody has to follow the statement that the FASB puts out on accounting for stock options. More importantly, it said from that point on, any new standard issued by the FASB has to then be vetted by the SEC, which meant that we would put something out, then they would put it out for public comment, consider all the comments, then decide whether or not to make it effective. We just decided that that would effectively put us out of business. There would be no reason for us to have an FASB if that were the case. So we decided to live to fight another day.

**JS:** The final rule in 1995 required disclosure in a footnote.

**DB:** Correct.

**JS:** All right. But there was still some resistance to that as well.

**DB:** Yes. Basically we went forward on that basis and felt that there was going to be resistance regardless.

**JS:** All right, any other thoughts on stock options or should we move on to financial instruments?

**DB:** I think that's enough.

**JS:** The FASB had begun a long-term project to look at accounting for financial instruments already back in the late 1980s. Did you know that it was going to take so long to deal with this issue?

**DB:** Not really. Before I left the firm, one of my several activities was that I was on a committee of the AICPA to deal with the accounting for financial instruments. That was probably, whenever it was, '85 or '86 or something like that. Here we are, twenty-five years later, and we still are –

**JS:** Still dealing with that issue.

**DB:** Exactly. We knew it was going to be complicated, but could not have foreseen it would take this long.

**JS:** Was there any pressure from the SEC to address the issue of derivatives?

**DB:** Yes, I don't remember the exact point, but particularly when we had the Gibson Greetings and the Procter & Gamble situations, Arthur Levitt met with me and said the FASB has three priorities, derivatives, derivatives and derivatives, and basically said, in so many words, "I don't really care what the answer is. You guys just have to come up with an answer." They were not driving us to fair value accounting or defer this or not defer that. They just basically said, "Look, there's obviously something wrong here and the

accounting and or disclosure is deficient and you guys have got to do something about it.

We just can't have these kinds of surprises that came out of nowhere."

**JS:** Very near the end of your second term as chairman, in August 1996, the FASB decided to put business combinations back on the agenda. What was the impetus behind that?

**DB:** I don't remember the exact impetus. I think it was just a case of having dramatically different accounting for the same economic phenomenon, purchase versus pooling, for the same thing.

**JS:** These were the exact same issues that were being debated back in the early 1970s?

**DB:** Or probably the forties or fifties or sixties or whatever it was, as well. I just don't remember exactly what gave rise to that. The board would always, through FASAC or otherwise, go through an annual evaluation of what would be priorities and projects and what would be the things that would be cause of concern to people. Good will, for example, was always an issue for people. It could have been related to good will at that time. I just don't remember for sure.

**JS:** If nothing else, it shows that the board was still interested in tackling challenging issues.

**DB:** The board never, in my opinion, backed away from challenging issues. In fact, if anything, I've said this in one of my articles, sometimes we naively went into things that

were going to be really challenging like stock options, as opposed to just thinking this is going to be too challenging, maybe we should cool it and so forth. I think that is an absolutely true statement.

**JS:** In the early 1990s, the foundation, the FAF, decided to require a change in the voting procedures of the FASB, from four to three to five to two. How did you feel about this?

**DB:** I don't think I was in favor of it. I think it was caused mainly by the same forces that were talking about an oversight of the board. It was like you guys are doing too much too fast and this is a way of kind of making sure that things are more generally accepted and putting kind of more of a rein on it, rein things in.

**JS:** Did that have an impact on any of the standards that were under consideration?

**DB:** I don't think it did. I see academic studies from time to time that try to figure these things out. I think the honest answer is, from being on the inside of things, that usually if you need a fourth vote or a fifth vote, for the most part that swing vote, it's usually a person who just kind of wants to get on their soapbox about a personal issue that they want to have recorded in a minority position in the final document. That's not always true. I mean, for example, on the stock options project, the two people who voted against that had very strong feelings that that was just not the right thing to do.

**JS:** That was Jim Leisenring and –

**DB:** Neel Foster. If there had been a third person like that and the voting requirement had been five to two at that point, we would have not been able to issue that document, for example. It can make a difference, but I think I saw very few cases where something did not get issued because of the voting requirement.

**JS:** Let's talk briefly about the internationalization of accounting standards. It deserves a lot more time. In 1991 the FASB amended its mission statement to add an international objective. Whose idea was that?

**DB:** I will take credit for it. It actually started in '87, when we had visitors from the International Accounting Standards Committee who wanted us to participate with them. My background earlier on the committee – they, at the time, were trying to increase their credibility and they asked us to join their equivalent of the FASAC, the advisory committee.

I said we would do it, if we could. We would send one of our board members to their meetings, but only if we could have them also stay on and observe their full board meetings as well, not as a voting member, but just as an observer. At least we would get some benefit to know what was going on and maybe there would be some synergy and over time, some cooperation, without having any long-term plan. Internationalization is kind of a good idea and so forth. That was the seed that was planted back then. Then we

just started working that idea and it just grew from that very early beginning and developed throughout my entire time at the FASB.

**JS:** Tell me about the Group of 4+1 that was organized in 1993. How did that come about?

**DB:** We started trying to get together groups from around the world. We had several of those meetings, but we also realized that we had a heck of a lot more in common with people in Canada, the U.K. and Australia, plus the IASC, than we did with France and Germany and a lot of these other people, because they did not have, first of all, the formal private sector type process that we did. They did not speak our accounting language. For the most part, they did not have conceptual frameworks, as we did.

We just felt that we could get a lot more done with those groups and share research and share ideas and we started developing some position papers and things like that. We leveraged them a little bit more than we did the wider group. We worked with the wider group as well, but that smaller group we just had more going with.

**JS:** In the early 1990s there was also a joint project analyzing the U.S., Canadian and Mexican standards. Was the thought being given to the possibility of regional convergence, maybe before international?

**DB:** No, I don't remember. I think that was just, again, just one of several different things that we just decided we would try to work on.

**JS:** Then in 1995 there was an agreement between IOSCO and the IASC. Was the FASB involved in that at all?

**DB:** I don't remember. I don't think so.

**JS:** Just to finish up with a couple of general questions about your time at the FASB, you wrote quite a few articles while you were the chairman. Did you see this as a part of your duty, to make the public and the profession aware of the board's work?

**DB:** Yes, I did. In addition to the articles, we had a newsletter that came out periodically and I had a column called "Notes from the Chairman." You may have not seen those. I just felt it was important to talk about what was going on inside of the organization and try to demystify things. It had not been done before and interestingly, it has not been done since I left the organization.

I did that, plus I wrote quite a few articles for journals. A lot of it was based on speeches that I gave, so it was kind of two-fers, you might say. It just seemed to me that part of my responsibility was getting the word out. Frankly, I liked the idea of getting some personal credit too, for it. To be somewhat more candid, I had hoped to have an academic career after the FASB and thought that doing something like that would help me in establishing a record to be able to do something as well.

**JS:** I think that's something that anyone who wants to be a scholar thinks about, so that's quite natural.

**DB:** I mean, these are not research type things, obviously, but at least it helps some.

**JS:** Looking back, how would you characterize cooperation between the FASB and the SEC?

**DB:** I thought it was excellent. I worked closely with the chairman. The first chairman, when I was there, was only there for a short while. But the ones who were there for most of the time while I was there were Richard Breeden and then Arthur Levitt.

I spent a great deal of time with both of them. Both of them were very interested in accounting. I've got Richard Breeden's picture on my wall over there. He was very interested in market value accounting, for example. That is a follow-on a little bit to the savings and loan issue. Of course, Arthur was very involved with the stock options in particular, but then he had his famous speech on the – I have to think what he called it.

**JS:** “The Numbers Game”?

**DB:** “The Numbers Game,” yes, exactly. He was very concerned about accounting gimmicks. We spoke fairly often about things. In fact, he had a home in Westport, which is fairly close to the FASB's office; he would go to on the weekends. I probably saw him at his home three or four times or so during the time that he was there. I would speak often to

the chief accountant as well. Most of the time, most of the day to day-type activity was between staff and staff. They were in constant contact with one another, in terms of keeping up with each other on the different projects.

Then once a quarter the head of our staff, together with two or three other people, would go down and meet with the chief accountant's staff. Then of course, the chief accountant would come and meet with us on the Emerging Issues Task Force. It was just a very good working relationship.

**JS:** Just as a final question, did you offer any advice to your successor, Ed Jenkins?

**DB:** You know that was a funny situation. They didn't get him appointed until just a couple of days before I left the FASB, so by the time he got there, I never had – I mean, I knew Ed very well, and so forth, so there wasn't any overlap or any time to spend. Basically all I did was say, "If there's anything I can do for you, let me know." There wasn't any of that to speak of.

**JS:** Any other thoughts looking back at your time as FASB chairman?

**DB:** I've said this about my time at Ernst & Young, and the FASB, I enjoyed both of them tremendously. I really, really did. However, I don't think I'd want to do them over again. They prepared me well for what I'm doing now, teaching and corporate board work,

which I enjoy. I just feel very honored to have had the opportunity to be in public accounting for twenty-six years and then be at the FASB for ten-and-a-half years.

They changed the term of the board members to go from July through June. I suggested that because of having to move in the middle of the winter, so they added six months to the term. I served for ten-and-a-half-years, so that means that nobody will ever serve longer than I did, because the maximum is now ten years. Hopefully I will have that as long as I live, the maximum term allowed.

**JS:** You secured your legacy.

**DB:** I'm very proud of that.

**JS:** If it's all right, I'd like to take just a couple minutes and ask you about teaching accounting and some of the boards you've served on.

**DB:** Sure, absolutely.

**JS:** We won't take much time to do this. So after all your years in standards setting, you came to the University of Georgia to teach accounting. How did you find teaching accounting, compared to being a practicing accountant?

**DB:** First of all, I've enjoyed it. It's hard in the sense of making sure that you don't – you have to lower your expectations is one way of putting it. You have to understand that these are not professional accountants and regulators. You're dealing with people that have limited experience, even MBA students. I've always felt that one of my strengths was having reasonable communication skills and being able to tailor my presentations to the intended audience, so I think I've done okay in that regard.

Sometimes I find that it's a little tricky to try to explain to people what is the reason for some things that I've taken for granted for a long time, that I've just been doing for ten, fifteen, fifty years, whatever it might be. Sometimes I get a different perspective on things by having to try to explain to a student what I've been doing all along.

**JS:** If you deal with an issue like stock options, do you find that the students are familiar with the issue? Do they have any idea of how controversial it was?

**DB:** Sometimes yes and sometimes no. Let me change the example. For example, Arthur Andersen and their going out of business. Right now that's kind of history. I mean, that's almost ten years ago. The students know that that was a big deal, but they don't know exactly what the details were.

I have them read some stories from the *Chicago Tribune* that go through the details of what actually happened at Arthur Andersen and they appreciate that. They say it helps put things in perspective. They understand a lot more about what was really happening at

that time. They do some of the same things about stock options and some other things like that. So I give them some oldies but goodies, I guess you might say, in my class that I think will help them a little bit more understand where we are today and how we got here.

**JS:** Of course, you played a bit of a role in the events around this time that you're talking about, the accounting scandals at the beginning of the two-thousands. In 2002, you were invited to Washington to testify in front of the Senate Finance Committee. Tell me about that experience.

**DB:** First of all I wondered, why me? I got a call from Senator Sarbanes' staff, I guess it was. It was a shock. I mean, why in the world would you want me? I tried to get out of it, to be very honest. It was almost like the FBI or something somehow was asking me to do something. Then they convinced me that they did want to hear from me.

I developed some thoughts and I asked several different people to look at my prepared testimony before I did it. Then I did it and it was fine. I think I had a few ideas that were a little different from some other people. One of the highlights was that Senator Miller, from Georgia, was on the committee, so I got a chance to meet him and he had some nice things to say. But it was unusual to be asked to do something like that.

**JS:** Beyond your testimony, were you asked to make any input into the process that led to Sarbanes-Oxley?

**DB:** Actually, after the hearing one of the staff people from Senator Miller's staff, asked on two or three different occasions subsequent to that just to bounce a few ideas off of me as they moved forward on some of the legislation.

**JS:** After the Enron collapse, you had the opportunity to serve on several boards of directors and boards of audits. One of those was MCI WorldCom. At the point when you joined the board, it was July 2002. I believe the stock was down about 99 percent from its original high point. How did you see your role at that point?

**DB:** The role was clearly coming in to help them with the restatement of the financial statements. I was asked to help with the investigation that was going on. They had a former SEC head of enforcement, Bill McLucas, who was going to lead it from an outside law firm. He had led the earlier investigation of Enron. In that particular case, they had a board committee overseeing the investigation that consisted of current board members, or they might have had one new board member.

He suggested to WorldCom that they appoint a committee of all new board members to give it more credibility. To give the board credit, they did that. They appointed three new board members, including myself and a former attorney general, Nick Katzenbach. We were going to do that and then help with the restatements. Then we were also in Chapter 11 reorganization. That's what we were basically doing for the first year-and-a-

half or so: the restatement and the reorganization and the fraud investigation. That was plenty of work!

**JS:** In 2003, the special investigative committee released a lengthy report about the accounting frauds and other issues at the company. Was that mostly written by the lawyers or were you also involved in that?

**DB:** It was written completely by the lawyers, but all of us on the committee got very, very deeply involved in it. We read, I don't know how many, but several drafts of the thing. Every word of it was carefully scrutinized by us and we gave lots of suggestions that were included in the final version.

**JS:** Did you have to take a leave of absence from teaching?

**DB:** No. In thinking back now, at the time I had just joined my first board six months or so earlier, a fairly small company in Atlanta. In fact, we had to change auditors because we had Arthur Andersen and changed to PricewaterhouseCoopers. Then I was asked to join the WorldCom situation. I was teaching full-time. I was on some professional committees. Then I was asked if I wanted to join two other boards, Kimberly-Clark and Legg Mason. I decided at the time that I didn't want to turn down those wonderful opportunities. So I was on four boards, teaching full-time and doing other professional things. Thinking back, I'm not quite sure how I managed all of these activities but they all got done satisfactorily.

**JS:** Some retirement, huh?

**DB:** WorldCom involved probably as many as fifty board meetings during the course of a couple years there and many of them were phone calls and things, but it was very active.

**JS:** You also joined the Fannie Mae board in May 2006.

**DB:** Right. Of course, that was after WorldCom was sold to Verizon.

**JS:** Fannie Mae was also having some accounting difficulties at this point in time, right? I believe at that time it was awaiting a federal investigators report on its auditing practice.

**DB:** I was appointed to the board on a Friday. On Monday, I had my first meeting and the report was received and we were asked to sign off on it and agree to the settlement of charges with the SEC and with the regulator and pay a \$400 million fine. And I was appointed Chairman of the Audit Committee at the same time. So I had to get up to speed pretty quickly.

**JS:** Did you see any parallels between that situation and the situation at WorldCom?

**DB:** It was exactly the same. It was, "Welcome to the board. We want you to chair the audit committee and help us." In neither case were we uncovering the fraud. It was just the

restatement of the financial statements, but for Fannie Mae, the restatement of the financial statements was much more complicated and the company was many times larger. This was before they got into more of the business problems. That came a couple of years later.

**JS:** Of course, since some more recent financial crises, Fannie Mae has also had some problems. It was taken over in September 2008 in the form of a conservatorship by the government. What implications did that have for the audit committee?

**DB:** Well, not much for the audit committee, per se. I joined in May of '06 and the work on the restatement was already in process. We were completely up to date in our financial reporting by November of '07. Then by September of '08, we were in conservatorship. We continued to file all of our financial statements on a timely basis. The financial statements just looked lousy. We were reporting huge losses. But they were all fairly presented.

**JS:** So the problems were business problems, they were not accounting problems.

**DB:** They were huge business problems, right.

**JS:** Among the other things that you have done, in 2007 through 2008, you served on the SEC Advisory Committee on Improvements to Financial Reporting. What was this committee trying to do?

**DB:** It mainly was trying to simplify things. There were other issues as well, but the general idea was that people from accounting firms, from corporations, from even from the user community were saying, “Things have just become so complicated; too many accounting rules, too much of everything has made it hard to keep up with things. We've had too many restatements of financial statements. Things have just gotten somehow out of control and what do we need to do to fix this?”

Bob Pozen led a large mutual fund complex, and was appointed to chair the committee – I think there were fifteen of us– served for a year and came up with about twenty-five recommendations, most of which I thought were excellent ideas. Unfortunately, we issued our report in August of 2008, right exactly at the time when everything was falling apart in the financial markets. So the SEC has not done much of anything with the recommendations yet. I think some of them, behind the scenes, have been acted on, but not too much explicitly.

**JS:** Too many other things going on right now.

**DB:** Just too many other things, that's right.

**JS:** Then finally let's talk about one other report that you worked on. Last year in October, the National Association of Corporate Directors put out a special report that you co-

authored on the subject of the audit committee. What did the report have to say about the role of this important committee?

**DB:** That was just more of an update. The NACD, I'm on the board of directors there. The NACD almost every year puts out one or two so-called Blue Ribbon Commission reports on certain issues. They just choose whatever seem to be the most timely issues each year. The first one on audit committees was put out about ten years ago, then they put out an update four or five years ago. Then they decided to update it again last year. It was really a series of recommendations about what are the most important issues facing audit committees these days and what are best practices in how those issues are being dealt with.

It was a best seller, as those things go. The last I heard, there was something like 30,000 to 35,000 copies that had been sold. Audit committees tend to be the ones that work hardest, put in more hours of corporate board committees in overseeing the accounting and auditing type of activities of the companies. People are always looking for suggestions for ways of improving their work and probably simplifying their work as well. It was a nice group of people to work with and I think we came up with some very good suggestions.

**JS:** Well Mr. Beresford, looking back do you have any final thoughts about a long career in accounting?

**DB:** I just feel blessed to have had the opportunity to do the things that I've done so far and hope that I have a couple more years left to accomplish a few more things.

**JS:** Dennis Beresford, thank you very much for talking with me today.

**DB:** Thank you, James.

[End of Interview]