

MINUTES



**Financial Accounting
Standards Board**

To: Board Members

From: Convergence Team
(Nesta, ext. 330)

Time Code: A/Conv

Subject: Minutes of the November 13, 2002,
Board Meeting

Date: November 14, 2002

cc: Bielstein, Leisenring, Petrone, Smith, Swift, Polley, Project Team,
Thompson, Allen (GASB), Bean (GASB), FASB Intranet (e-mail), Vincent
(2), Sutay, Gabriele

Topic: Short-term Convergence Project Scope, Sequencing,
and Items to be Included in the First Exposure Draft

Basis for Discussion: Staff memorandum dated October 31, 2002

Length of Discussion: Starting Time: 9:00 a.m.
Concluding Time: 9:30 a.m.

Attendance:

Board members present: Messrs. Herz, Crooch, Foster, Schieneman, Trott,
Wulff, and Ms. Schipper

Board members absent: None

Staff in charge of topic: J. Johnson

Other staff at Board table: Bielstein, Cassel, Coburn, Nesta, Tovey

MATTERS DISCUSSED, DECISIONS REACHED, AND FOLLOW-UP ACTION

Mr. Johnson opened the discussion by stating that the goal for the meeting was for the Board to (1) agree on the list of issues to be included in the scope of the short-term convergence project, (2) agree on which Board should lead each of the issues within the scope, and (3) identify a subset of the issues to be included in the first Exposure Draft. Mr. Johnson stated that the issues the staff recommended the FASB should lead were chosen because the IASB has recently conducted the research, deliberated the issues, and reached a conclusion that differed from U.S. GAAP. Ms. Bielstein added that a number of the issues the FASB will lead are within the IASB's improvements project and that it is important for the Board to provide timely feedback to the IASB so

that the IASB can consider the FASB's input in its redeliberations of its improvements project.

The Board decided that the following 17 issues should be included within the scope of the short-term convergence project:

1. Classification of liabilities upon a refinancing
2. Classification of liabilities payable on demand due to breach of borrowing agreement
3. Voluntary changes in accounting principles
4. Distinction between changes in accounting principles and changes in accounting estimates
5. Inventories- idle capacity and spoilage costs
6. Nonmonetary asset exchanges
7. Financial Instruments: disclosure, presentation, recognition, and measurement
8. Interim reporting
9. Research and development
10. Discontinued operations
11. Costs associated with exit or disposal activities
12. Government grants
13. Depreciation on assets held for disposal or idle assets
14. Income taxes
15. Long-term construction contracts
16. Financial reporting in hyperinflationary economies
17. Joint ventures and the proportionate consolidation method.

The Board also decided that the FASB would lead the research of and deliberate items 1-9 first, while the IASB would research and deliberate items 10-17 first. In addition, the Board decided that items 1-6 will be the first issues it will deliberate and expects to begin deliberations on those issues in early 2003.

The Board noted that it is important to communicate to constituents that the Board will likely not deliberate items 7-9 until late 2003 at the earliest. The Board agreed with the staff's sequencing but decided not to make a determination of which issues would be

included in the first Exposure Draft until at least some of the issues have been deliberated and resolved.

GENERAL ANNOUNCEMENTS

None

SUMMARY FOR ACTION ALERT

The Board discussed the short-term convergence project's scope and the sequencing of issues within the project's scope. The Board decided that the following 17 issues should be included within the scope of the short-term convergence project:

1. Classification of liabilities upon a refinancing
2. Classification of liabilities payable on demand due to breach of borrowing agreement
3. Voluntary changes in accounting principles
4. Distinction between changes in accounting principles and changes in accounting estimates
5. Inventories- idle capacity and spoilage costs
6. Nonmonetary asset exchanges
7. Financial Instruments: disclosure, presentation, recognition, and measurement
8. Interim reporting
9. Research and development
10. Discontinued operations
11. Costs associated with exit or disposal activities
12. Government grants
13. Depreciation on assets held for disposal or idle assets
14. Income taxes
15. Long-term construction contracts
16. Financial reporting in hyperinflationary economies
17. Joint ventures and the proportionate consolidation method.

The Board also decided that the FASB would lead the research of and deliberate items 1-9 first, while the IASB would research and deliberate items 10-17 first. In addition, the Board decided that items 1-6 will be the first issues to be researched and deliberated by the FASB and expects to begin deliberations on those issues in early 2003.