

MINUTES



Financial Accounting
Standards Board

To: FASB Board Members

From: Subsequent Events
(Van Eperen x229)

Subject: Minutes of the February 18, 2009, Board Meeting: *Subsequent Events* **Date:** February 18, 2009

cc: Leisenring, Bielstein, Golden, Bossio, Lott, Klimek, Chookaszian, Posta, Glotzer, C. Smith, Stoklosa, Proestakes, Sutay, Mechanick, Gabriele, Maroney, Van Eperen, Finden (GASB), LiLi Lian (IASB) , FASB Intranet

The Board meeting minutes are provided for the information and convenience of constituents who want to follow the Board's deliberations. All of the conclusions reported are tentative and may be changed at future Board meetings. Decisions become final only after a formal written ballot to issue a final Statement, Interpretation, or FASB Staff Position.

Topic: Analysis of comment letters received on the proposed Statement on Subsequent Events

Basis for Discussion: Board Memorandum dated February 18, 2009

Length of Discussion: 9:45–10:10 a.m.

Attendance:

Board members present: FASB: Herz, Linsmeier, Siegel, and L. Smith

Board members participating by phone: FASB: Seidman

Board members absent: IASB: Leisenring

Staff in charge of topic: Maroney (FASB), Proestakes (FASB)

Other staff at Board table: FASB: Van Eperen, Glotzer

Summary of Decisions Reached:

The Board discussed issues raised in comments received on proposed FASB Statement, Subsequent Events. The Board decided the following:

- a. To retain the notion of “available to be issued” financial statements.
- b. To retain the definition of when an entity may use the “available to be issued” date.
- c. To include a general scope exception for any existing authoritative accounting literature that conflicts with the final Statement.
- d. To require that an entity disclose the date through which subsequent events have been evaluated.
- e. To clarify that original issuance means either “issued” or “available to be issued.”

The Board also decided that the final Statement will be effective for interim or annual periods ending after June 15, 2009. The Board directed the staff to proceed to a draft of a final Statement for vote by written ballot.

Objective of Meeting:

The objective of the meeting was for the staff to discuss with the Board the comment letters received from constituents about the proposed Statement on Subsequent Events, the intent of which is to incorporate guidance on subsequent events into accounting literature. The staff discussed with the Board whether there were any necessary adjustments to the proposed Statement as a result of the comments received, and if the proposed Statement should be issued as a final Statement. The objectives were met.

Matters Discussed and Decisions Reached:

1. The following six issues were raised by constituents in their comment letters, and were discussed by the Board: (a) whether to retain the notion of “available to be issued” financial statements, (b) when to use the “available to be issued” date, (c) the Statement’s scope exceptions, (d) the Statement’s effective date, (e) the Statement’s disclosure requirement and (f) reissuance when using an “available to be issued” date.

Issue 1: Whether to Retain the Notion of “Available to be issued” Financial Statements

2. Mr. Van Eperen began by explaining that the proposed Statement introduces the concept of financial statements that are “available to be issued.” He noted that some respondents suggested the Board replace the concept of “available to be issued” with the concept contained in IAS 10, *Events after the Balance Sheet Date*, “authorized for issue.” Respondents noted that this would bring further convergence with International Financial Reporting Standards (IFRSs) and that it would not be a significant undertaking for companies that don’t have an authorization process to implement one.

3. The staff expressed that it would be concerned if “authorized for issue” were used, as companies may have undue hardship and cost in an effort to create a process to decide the exact time and requirements of when financial statements are “authorized.”

4. Mr. Van Eperen then explained the following staff alternatives:

a. Option A: Retain the “available to be issued” concept as exposed due to the Board’s initial concerns about companies having to establish an authorization process to comply with the “authorized for issue” concept in IAS 10.

b. Option B: Converge with IAS 10 utilizing the “authorized for issue” concept in order to bring greater convergence with IFRS. In addition, the Board would need to include guidance on what defines “authorized for issue.”

5. **Staff Recommendation:** The staff recommended Option A, as there was not substantial evidence to alleviate the Board’s initial concern with Option B, and further explanation would be required.

6. After the recommendation was presented, Mr. Smith asked that the staff read the definition of “available to be issued” as exposed. Mr. Van Eperen read, “financial statements are considered available to be issued when they are complete in a form and format that complies with GAAP and all approvals necessary for issuance have been obtained, for example, from management, the board of directors, or significant shareholders.”

7. Mr. Herz and Mr. Smith commented that the definition of “available to be issued” sounds similar to how they would define “authorized for issue.” The staff acknowledged this, but warned the Board that if this Statement defines authorized for issue, it may also provide guidance for how to define authorized for issue in IAS 10, an unintended consequence of the project.

8. Mr. Linsmeier asked that the Statement make a minor drafting change to the definition of “available to be issued” to state “...have been obtained, for example, from management, the board of directors, **and/or** significant shareholders.” (Emphasis added.)

9. **Board Vote:** All Board members agreed with the staff’s recommendation, assuming the drafting change in paragraph 8 is made.

Issue 2: When to use the “available to be issued” date

10. Mr. Van Eperen explained that the second issue raised by constituents was to define when an entity is to use the “available to be issued” date. He noted that several respondents suggested that the Board allow more non public companies to use the “available to be issued” date.

11. **Staff Recommendation:** The staff recommended that the exposure draft remain as exposed and explain, that “an entity that has a historical practice or current expectation of widely distributing its financial statements to its shareholders and other financial statement users (including a *public business enterprise*, as described in paragraph 9 of FASB Statement No. 131, *Disclosures about Segments of an Enterprise and Related Information*) shall evaluate subsequent events through the date that the financial statements are issued. All other entities shall evaluate subsequent events through the date that the financial statements are available to be issued.”

12. **Board Vote:** All Board members agreed with the staff’s recommendation.

Issue 3: Scope Exceptions

13. Mr. Van Eperen stated that the third issue raised by constituents related to the scope exceptions contained in the exposure draft. Currently, the Statement’s scope reads that its provisions “shall be applied in the accounting for and disclosure of subsequent events not addressed in other applicable GAAP.” Some constituents asked that the Statement amend all current GAAP. The staff noted that AU 560 has been in existence since 1972, and any antecedent Boards considered those principles when reaching their conclusions on the conflicting guidance. Furthermore, constituents asked that if scope exception exists, the Statement clearly identify each exception.

14. **Staff Recommendation:** The staff recommended to the board that the scope remain as exposed, and that the staff not undertake a project to have the Statement include all scope exceptions.

15. Mr. Linsmeier began by stating that he felt uncomfortable scoping out all current GAAP without having a thorough understanding of all current conflicts with GAAP, and that he is unsure if there are a few conflicts, or numerous conflicts, and without this information, it is difficult to agree that the scope should remain as exposed

16. Ms. Seidman expressed that she was under the impression that the staff had done enough work thus far to have a thorough understanding of the exceptions, and the staff had previously reached the conclusion that it should not overturn current GAAP. Mr. Herz agreed with the point.

17. Mr. Siegel mentioned that he doesn't think it is necessary to individually list out many different exceptions in the Statement. Mr. Herz explained that maybe it is not reasonable to include this as part of this limited scope project.

18. Mr. Smith asked if the staff plans to include a non-comprehensive list in the final Statement, and mentioned that it would be preferable to have such a list, with a qualifying statement that it is not an all-inclusive list. Ms. Seidman asked what happens if the staff leaves out one example. Mr. Smith reiterated that the list would be a non-inclusive list of examples of conflicting guidance.

19. **Board Vote:** All Board members agreed with the staff's recommendation to keep the scope as exposed but decided to include a non-inclusive list of examples of conflicting guidance.

Issue 4: Effective Date

20. Mr. Van Eperen discussed the effective date of the Statement. Currently, the Statement will become effective for all interim and annual financial statements issued after the ratification of the codification. Mr. Van Eperen stated that respondents noted that if a Statement is released simultaneously with the ratification of the Codification, it may be so integrated that the new Statement's presence is overlooked by private company auditors and preparers.

21. **Staff Recommendation** The staff recommended that this Statement become effective for interim or annual financial statement periods ending after June 15th, 2009.

22. **Board Vote:** All Board members agreed with the staff's recommendation.

Issue 5: Disclosure Requirements

23. Mr. Van Eperen stated that the fifth issue the staff planned to discuss with the Board was the disclosure requirements of the Statement.

24. **Staff Recommendation:** Given that respondents did not provide material comments on this issue, the staff recommended the Board keep the disclosure requirements as exposed.

25. **Board Vote:** All Board members agreed with the staff's recommendation.

Issue 6: Reissuance When Using an "Available to be Issued"

26. Mr. Van Eperen stated the last issue the staff planned to discuss with the Board was the meaning of *original issuance* in the following statement on reissued financial statements: "an entity shall not recognize events occurring between the time of the original issuance and reissuance of financial statements". Constituents asked if *original issuance* means either issued or available to be issued financial statements.

27. **Staff Recommendation:** The staff recommends that the board explicitly state that when referring to reissued financial statements, original issuance means either issued or available to be issued financial statements.

28. **Board Vote:** All Board members agreed with the staff's recommendation.

Follow-up Items:

The staff will begin drafting a final Statement for ballot.

General Announcements:

None.