

Executive Summary

Conceptual Framework Project Phase C: Measurement Milestone I Summary Report

In the spring of 2007, the FASB and IASB completed their deliberations on Milestone I of the measurement phase of their conceptual framework project—a joint agenda project to create a framework that will provide a sound foundation for developing future accounting standards. The framework is essential to fulfilling the Boards’ goals of developing standards that are principles-based, internally consistent, internationally converged, and that lead to improved financial reporting.

This Executive Summary, as well as the full Milestone I Summary Report, addresses the Boards’ deliberations of Milestone I, the first stage of the measurement phase. The measurement phase is but one of several phases of the conceptual framework project. The objective of this phase is to create specific measurement concepts, principles, and terms. It consists of three “building blocks,” or milestones:

- **Milestone I**, which inventories and defines a list of measurement basis candidates that might be used as a basis for measurement on financial statements;
- **Milestone II**, which evaluates the basis candidates identified in Milestone I; and
- **Milestone III**, which draws conceptual conclusions from Milestones I and II while addressing practical issues.

During its deliberations of Milestone I, the Boards addressed the following five issues:

Issue 1: What are the measurement basis candidates?

The Boards agreed to a list of nine candidates: *past entry price, past exit price, modified past amount, current entry price, current exit price, current equilibrium price, value in use, future entry price, and future exit price.*

Issue 2: How are the measurement bases defined?

The Boards agreed to provide two definitions for each candidate—one from the perspective of an asset and one from the perspective of a liability (See **Appendix C**). They further decided to focus on the concepts behind entry and exit prices, without respect to the way they are measured.

Issue 3: What are the basic properties of the measurement bases?

The Boards concluded that most candidates are either prices or values, and that each candidate provides information primarily about a specific time frame (See **Appendix B**).

Issue 4: Are the measurement bases appropriate for both assets and liabilities?

The Boards concluded that all the candidates were appropriate for use with assets and liabilities.

Issue 5: Should any measurement basis candidates be eliminated from consideration for evaluation in Milestone II?

The Boards agreed not to eliminate any of the nine candidates identified at the end of Milestone I. However, they did eliminate some candidates in the earlier stages of Milestone I deliberations.