MINUTES

To: Board Members

From: Ham (ext. 443)

Subject: Minutes of the December 19, 2007 Board Meeting: Intangible Assets Agenda Proposal **Date:** December 19, 2007

cc: Leisenring, Bielstein, Golden, MacDonald, Bossio, Ham, Posta, Gabriele, Chookaszian, Klimek, Allen, Sutay, FASB Intranet; email: Hickey, Upton, Keys

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Topics: Intangible Assets Agenda Proposal

Basis for Discussion: Board Memorandums dated November 30 and December 12, 2007

Length of Discussion: 8:00 to 8:30 a.m.

Attendance:

Board members present: FASB: Herz, Batavick, Crooch, Linsmeier, Seidman, Smith, and Young

IASB: Leisenring

Board members absent: None

Staff in charge of topic: Bossio

Other staff at Board table: Bielstein and Ham

Summary of Decisions Reached:

The Board decided not to add a project on intangible assets to its active agenda. The Board acknowledged the importance of addressing the accounting issues relating to intangible assets, noting concerns with current requirements that lead to inconsistent treatments for particular types of intangible assets depending on how they arise. However, the Board noted that properly addressing the accounting for intangible assets would impose a large demand on the Board's limited resources.

Objective of Meeting:

The objective of the meeting was for the Board to discuss and decide whether to add a project to its agenda to address the accounting and reporting for intangible assets. The objective was met.

Matters Discussed and Decisions Reached:

1. Mr. Bossio opened by stating that this meeting is part of fulfilling the Board's commitment in the February 2006 Memorandum of Understanding with the IASB in which the Boards agreed to consider adding a joint project on intangible assets to its agenda. The agenda proposal was drafted by staff of the Australian Accounting Standards Board (AASB). The AASB staff was not asked to evaluate resources available in making its recommendation. Based on the evaluation of the IASB's agenda criteria (which are similar to the FASB's criteria), the view of the AASB staff is that an intangible assets project should be added to the Boards' active agendas as soon as resources are available to commit to such a project. The AASB staff proposed a comprehensive project, but also gave several alternative scopes of a lesser degree, which are discussed more fully in the proposal.

2. Mr. Bossio then discussed the input received from the IASB's Standards Advisory Council (SAC), the FASB's Financial Accounting Standards Advisory Council (FASAC), and the Investors Technical Advisory Committee (ITAC). Their feedback indicated that a project on intangible assets had a low priority relative to other projects and was not among the most urgent matters to be addressed. Mr. Bossio also noted that

the IASB, at their December 12, 2007 meeting, decided not to add a project on intangible assets to its active agenda.

3. Mr. Bossio asked the Board whether it wanted to add a project on intangible assets to its agenda. Mr. Crooch noted that this issue has been debated for years, and he is not convinced that we are any closer to a technically feasible solution on which meaningful progress can be made at this time. Mr. Linsmeier stated that he thought the accounting for intangible assets needed improvement, but other projects that will inform on how to recognize and measure intangible assets (like the measurement phase of the conceptual framework) should be completed first. In addition, he noted that some users have indicated that the lack of disclosures about intangible assets is the issue, not recognition and measurement. However, he believes a broader disclosure framework should be developed before addressing disclosures on a particular topic.

4. Mr. Smith agreed with Mr. Linsmeier that it would be premature to add a project on intangible assets to the agenda. Mr. Smith also mentioned that he was not sure that a disclosure framework was necessary to develop meaningful disclosures for intangible assets. He stated that he would support adding a narrower disclosure project to the agenda.

5. Mr. Leisenring informed the Board that the IASB did not add a disclosure project to its agenda. Among the reasons noted by Board members were: (a) qualitative disclosures do not seem very useful, (b) quantitative disclosures would most likely require the same measures necessary for recognition, and (c) such a project could take as many resources as a comprehensive project. Mr. Linsmeier responded that users have suggested a different set of quantitative disclosures regarding key performance indicators (KPI), which is not the same as what would be recognized in the financial statements.

6. Ms. Bielstein stated that she is concerned about the technical feasibility of a disclosure project. She noted that the FASB previously had an intangible assets disclosure project on the agenda, but there was no agreement on what to disclose.

7. Mr. Herz stated that although he is not inclined to add a project on intangible assets at this time, it is a major area that is not captured well in the financial statements. There

is a huge difference in the accounting for acquired intangible assets that are recognized in financial statements and internally-generated intangible assets that are not. Mr. Herz also noted that major steps could be taken in the development of a KPI disclosure framework, but others can continue their work in that area because the FASB does not have comparative advantage.

8. All Board members voted to not add a major project on intangible assets to the agenda at this time.

9. Ms. Bielstein then inquired about the implications of this decision on the short-term convergence project on research and development that is part of the February 2006 Memorandum of understanding. She noted that the Boards had previously asked the staff to develop a proposal for a project to eliminate or reduce differences between US GAAP and IFRS relating to research and development. Ms. Seidman stated that she did not want to address narrow issues one by one without first taking a fresh and holistic view of all major differences between U.S. GAAP and IFRS. She explained that she would like to see an inventory of all significant remaining differences catalogued. (She noted that she found a recent report by a financial analyst that quantified differences in terms of dollar magnitudes to be helpful.) She suggested that the staff could then use the catalogue to seek constituent input about priorities.

10. Mr. Herz concluded by stating that to effectively address differences between U.S. GAAP and IFRS, the FASB and IASB should first review and update, if necessary, their strategy for convergence. Pending completion of that review, the staff was directed to suspend any efforts toward evaluating short-term convergence projects in the area of research and development and impairment.

Follow-Up Items:

None.

General Announcements:

None.