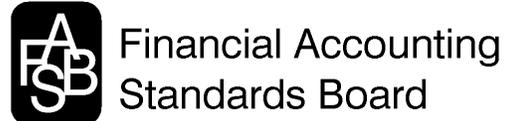


MINUTES



To: Board Members
From: Project Team (Chesney x447)
Subject: Minutes of the November 21, 2007
Conceptual Framework Board Meeting **Date:** November 26, 2007
cc: Leisenring, Bielstein, Golden, MacDonald, Allen, Polley, Glotzer,
Klimek, Lott, Gabriele, Sutay, Project Team, FASB Intranet, Upton,
Hickey, Crook, Lian, Hague, Villmann, Willis, GASB: Reese, Patton

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 or Interpretation.

Topic: Phase C: Measurement

Basis for Discussion: Memorandum Nos. 69A-C

Length of Discussion: 9:00 a.m. to 10:20 a.m.

Attendance:

Board members present: Herz, Batavick, Seidman, Smith, and Young

Board members by phone: Linsmeier

Board members absent: Crooch

Staff in charge of topic: Kevin McBeth and Kenny Bement

Other staff participating: Bossio, Bielstein, and Chesney

Summary of Decisions Reached:

The staff presented the Board with a review of the measurement basis candidates selected and defined in Milestone I of the measurement phase.

The Board agreed to a revised project plan for the measurement phase that calls for the Board to consider the staff's initial evaluation of the measurement basis candidates in February or March 2008. In subsequent meetings, the Board will consider issues related to selecting measurement bases for use in financial statements. The goal is to issue a discussion paper describing the Board's view on those issues by the end of 2008.

The Board decided to defer issues related to measurements used outside of the financial statements to a later phase of the framework project.

The Board also discussed a preview of the decision tool for evaluating and selecting measurement bases. The Board directed the staff to further develop the decision tool and to test it with examples to help the Board understand how the decision tool will be applied.

Objective of Meeting:

The objective of the meeting was to discuss plan revisions for the measurement phase and provide a preview of a decision tool that will be used to evaluate and select measurement bases. The objective of the meeting was met.

Matters Discussed and Decisions Reached:

1. Mr. McBeth stated that the purpose of the meeting was to discuss plan revisions for the measurement phase and provide a preview of the decision tool for evaluating and selecting measurement bases. Mr. McBeth noted that the Board received a copy of the Milestone I Summary Report, which is also available on the conceptual framework website. Mr. McBeth stated that the contents of the report were not the primary topic for discussion and the staff

would welcome any remaining comments from individual Board members after the meeting. Mr. McBeth stated that the contents of the report were not the primary topic for discussion; thus, the staff would welcome any offline comments from individual Board members if there was not time to discuss them during the meeting.

ISSUE 1: PLAN REVISIONS

2. Mr. McBeth noted that the revisions to the work plan will allow for an earlier completion of the measurement phase and development of the Boards' preliminary views. The revisions would (a) include some of the Milestone III issues related to selecting measurement bases in the Milestone II deliberations, (b) defer to the presentation and disclosure phase issues related to measurement bases in financial reporting (the measurement phase would focus on measurement in financial statements), and (c) eliminate from the measurement phase issues related to the practical implementation of measurement bases, which would be addressed at the standards level. Mr. McBeth noted that the staff intends to present the Milestone II analysis to the Board in February 2008.

Issue 1 Board Comments

3. Mr. Herz and Ms. Seidman expressed concern regarding eliminating the issues related to the practical implementation of measurement bases from the measurement phase. Ms. Bielstein noted that until the decision tool is fully developed, it would be difficult to gauge to what extent issues would be eliminated from the measurement phase.
4. Mr. Young questioned whether the deferral to the presentation and disclosure phase issues related to measurement in financial reporting implies that the staff believes the measurement bases appropriate for financial reporting would be different than those for financial statements. Mr. Young noted that that future amounts are not measurements, but forecasts and estimates. Mr. McBeth noted that a difference in measurement bases between financial statements and financial reporting would be a possibility. Mr. McBeth stated that the purpose of the plan revisions is to refine the focus of the measurement phase and its initial discussion document.

5. The Board did not object to the proposed plan revisions.

ISSUE 2: A PREVIEW OF THE MEASUREMENT BASIS DECISION TOOL

6. Mr. Bement mentioned previous discussions among staff and Board advisors of both the FASB and IASB that led to the development of a decision tool for evaluating measurement bases. Mr. Bement noted that the decision tool would not replace the judgment and intuition of the Board members when making measurement decisions. However, the decision tool would allow for more consistency, transparency, simplicity, and discipline in making and documenting measurement decisions.
7. Mr. Bement stated that the planned February 2008 Board discussion would focus primarily on the application of the decision tool to five of the nine measurement basis candidates from Milestone I and noted that the staff intends to include analyses of all measurement basis candidates in the discussion paper. Mr. Bement added that the specified criteria for the decision tool would include the qualitative characteristics and asked Board members whether additional criteria should be specified and if so, why they should be specified in the decision tool.
8. Mr. Bement explained three possible contexts of the decision tool: the first would identify an ideal measurement basis candidate in a conceptual context, the second context would rank other candidates as surrogates to that ideal with consideration of practical limitations of implementing the ideal, and the third context would determine the measurement basis at the standards level. The staff considered the third context and the eventual use of the tool at the standard-setting level beyond the scope of the decisions to be reached within the conceptual framework project.

Issue 2 Board Comments

9. Mr. Batavick noted the importance of communicating that the decision tool incorporates the judgment and intuition of the decision maker. Mr. Batavick questioned how the decision tool will be used by the staff and the Board and whether materiality and cost-effectiveness will be implemented into the decision tool. Ms. Seidman suggested that these constraints be represented

in the decision tool instead of assumptions, traditions, preconceived notions, etc. Mr. McBeth noted that the extent to which the staff and Board use the decision tool in future standard-setting projects is up to the Board.

10. Ms. Bielstein noted that the staff intends the outcome of the measurement phase to be a framework for making decisions so that the Board can more easily and effectively communicate among each other and with constituents. Mr. Smith stated that the contexts seemed more like steps to follow when making measurement decisions for a standard. Mr. Smith and Mr. Batavick expressed their view that defining the contexts in terms of determining an ideal measurement basis candidate would not be useful.
11. Ms. Seidman observed that the staff presented specific transactions to the Board for the purposes for determining the asset definition, which was helpful in developing the definition. Ms. Seidman noted that completing the decision tool matrix for general assets and liabilities rather than specific assets, liabilities, and transactions would not be productive because not every asset, liability, or transaction meets the criteria at the same level; thus, she suggested the staff use the same approach that it used for the asset definition. Mr. Herz also suggested that the staff apply the decision tool to specific assets, liabilities, and transactions in order to determine the usefulness of the tool.
12. Mr. Herz stated that unit of account considerations also should be considered when evaluating the measurement basis candidates. Mr. Herz and Ms. Seidman noted that the decision tool would not be valuable if unit of account and type of activity are not considered in the analysis. Mr. Linsmeier agreed and added that the decision tool should consider the added complexity of the mixed-attribute model within different sections of financial statements (for example, operating and financing) in order to seek similar measurement objectives for assets and liabilities that are similar.
13. Mr. Young noted that the Board would like to see more contexts available for using the decision tool. Mr. McBeth noted that there could possibly be more contexts. Mr. Bossio stated that moving forward with the analysis would help understand how the decision tool might operate and be useful in making

measurement decisions. Mr. Linsmeier noted that the Board cannot make decisions regarding the criteria until the staff demonstrates how the decision tool will be used in the analysis of measurement basis candidates.

14. Mr. Herz and Ms. Seidman suggested that future exit price be included in the initial analysis because this measurement basis is commonly used in practice. Mr. Young noted that the different requirements of current and future prices may result in a separate measurement model and a separate estimation model. Thus, he agreed with the staff and prefers that it not focus on future prices at this time.

15. The Board did not collectively agree or object to the specific candidates to be emphasized in the decision tool. However, the staff stated its intention to evaluate all candidates from Milestone I, even if the decision tool focuses on some more than others.

Follow-up Items:

The staff will further develop the decision tool and test it with specific transactions for discussion early in 2008.

General Announcements:

None