

MINUTES



To: Board Members
From: Hamilton (ext. 330)
Subject: Minutes of the November 30, 2004 Board Meeting **Date:** December 7, 2004
cc: Leisenring, Bielstein, Smith, Petrone, Golden, Westerlund, Mahoney, Gabriele, Polley, Swift, Richter, FASB Intranet (e-mail)

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. Official EITF consensus positions are reported in the minutes of the related EITF meeting and in EITF Abstracts.

Topics: Board ratification of consensuses reached in EITF Issue No. 03-13, change of effective dates for EITF Issues No. 04-8 and No. 04-10, and consideration of a proposed amendment to AICPA Statement of Position 78-9.

Basis for Discussion: Board memorandum dated November 23, 2004

Length of Discussion: 10:30 a.m. to 10:50 a.m.

Attendance:

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|----------------------------|---|
| Board members present: | Herz, Crooch, Schieneman, Schipper, Seidman, Trott, and Batavick |
| IASB Board/Staff present: | Leisenring |
| Board members absent: | None |
| Staff in charge of topic: | Westerlund |
| Other staff at Board table | Smith, Golden, Hamilton |
| Outside participants: | None |

Summary of Decisions Reached:

The Board ratified the Task Force's consensus on EITF Issue No. 03-13, "Applying the Conditions in Paragraph 42 of FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, in Determining Whether to Report Discontinued Operations."

The Board ratified the Task Force's decision to modify the consensuses of the following Issues by changing their effective dates:

- EITF Issue No. 04-8, "The Effect of Contingently Convertible Instruments on Diluted Earnings per Share," should now be applied to reporting periods ending after December 15, 2004.
- EITF Issue No. 04-10, "Determining Whether to Aggregate Operating Segments That Do Not Meet the Quantitative Thresholds," will now coincide with the effective date of the anticipated FASB Staff Position (FSP) that will address the meaning of similar economic characteristics. The anticipated effective date of that FSP is in 2005.

The Board agreed to propose an amendment to certain provisions of AICPA Statement of Position 78-9, *Accounting for Investments in Real Estate Ventures*. At the November 17-18, 2004 EITF meeting, the Task Force acknowledged that the tentative conclusions reached in EITF Issue No. 04-5, "Investor's Accounting for an Investment in a Limited Partnership When the Investor Is the Sole General Partner and the Limited Partners Have Certain Rights," are inconsistent with certain aspects of SOP 78-9. Accordingly, the Task Force requested that the Board consider amending the guidance in SOP 78-9 to be consistent with the tentative conclusions in Issue 04-5. The Board agreed to propose a Board-directed FSP to amend SOP 78-9 in anticipation that the Task Force will reach a final consensus that is consistent with the tentative conclusions in Issue 04-5. The FASB staff will post the proposed FSP for a 45-day comment period in conjunction with a draft abstract that reflects the Task Force's tentative conclusions in Issue 04-5.

Objective of Meeting:

In accordance with EITF operating procedures, the consensuses reached at the November 17-18, 2004 EITF meeting were considered for ratification by the Board at the November 30, 2004 Board meeting.

Matters Discussed and Decisions Reached:

1. Mr. Westerlund stated that the purpose of this meeting is for the Board to consider whether to ratify (a) the consensus that was reached in Issue 03-13 and (b) the changes to the effective dates of Issue 04-8 and Issue 04-10. He stated that the staff will also ask the Board to consider a potential amendment to SOP 78-9.

Issue No. 03-13, "Applying the Conditions in Paragraph 42 of FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, in Determining Whether to Report Discontinued Operations"

2. Mr. Westerlund stated that he would like the Board to consider ratification of the consensus in Issue 03-13. He stated that the consensus is an approach for evaluating whether the criteria in paragraph 42 of Statement 144 have been met for purposes of classifying the results of operations of a component of an entity that either has been disposed of or is classified as held for sale as discontinued operations. He stated that the consensus would be applied to a component of an enterprise that is either disposed of or classified as held for sale in fiscal periods beginning after December 15, 2004.
3. Ms. Schipper stated that she reluctantly supports ratification of the consensus. She believes that the Task Force was asked to resolve an apparent conflict between a literal interpretation of the guidance in the Standard and the intended effect of the guidance. She stated that the FASB should resolve such conflicts in the future in a different manner.
4. Ms. Seidman agreed with Ms. Schipper and commented that perceived conflicts in guidance such as these may be discovered during the codification process. Ms. Seidman stated that she believes that these conflicts should be addressed by the FASB as part of that codification effort and that resolving these conflicts is consistent with the FASB's goal of simplification.

5. Mr. Trott disagreed that this consensus was the result of a conflict within the Statement.
6. Mr. Herz asked if any Board members would object to ratification of the consensus reached by the Task Force in Issue 03-13. No Board members objected.

Changes to Effective Dates

7. Mr. Westerlund stated that the Task Force agreed to change the effective dates for two Issues that reached consensus at the September 29-30, 2004 EITF meeting.
8. Mr. Westerlund stated that for Issue 04-8, the Task Force agreed to change the transition provisions of the consensus to require that the guidance in Issue 04-8 be applied to reporting periods ending after December 15, 2004.
9. Mr. Westerlund stated that for Issue 04-10, the Task Force agreed that the effective date of the consensus should coincide with the effective date of the anticipated FASB Staff Position (December 22) that will address the meaning of similar economic characteristics. Accordingly, the Task Force delayed the effective date of Issue 04-10.
10. Mr. Westerlund stated that he would like to open the discussion and ask the Board to ratify those changes to the effective dates.
11. Mr. Herz asked if any Board members objected to the ratification of the changes to the effective dates of Issue 04-8 and Issue 04-10. No Board members objected.

Summary of Task Force Tentative Conclusions and Potential Amendment to SOP 78-9

12. Mr. Westerlund stated that the Task Force reached tentative conclusions in Issue 04-5 on a framework for addressing when a sole general partner should consolidate a limited partnership. He stated that the staff has incorporated those tentative conclusions into a draft abstract. He stated that the Task Force directed the staff to post the draft abstract to the FASB's

website for public comment. He stated that the Task Force will be asked to reach a final consensus at the March 16-17, 2005 EITF meeting.

13. Mr. Westerlund stated that the Task Force believes that the tentative conclusions reached in Issue 04-5 conflict with certain aspects of SOP 78-9. As a result, the evaluation of limited partner rights will differ based on whether the entity is a real estate entity that is within the scope of SOP 78-9 or a non-real estate entity. He stated that the Task Force requested that the Board consider amending the guidance in SOP 78-9 to be consistent with the tentative conclusions in Issue 04-5 (that is, to replace the concept of "important rights"). Mr. Westerlund stated that the staff has drafted proposed amendments to SOP 78-9 for the Board's consideration.
14. Mr. Westerlund stated that if the Board decides to support the proposed amendment to SOP 78-9, to affect the amendment, the staff recommends issuance of a Board-directed FSP consistent with the tentative conclusions reached in Issue 04-5 and concurrent with Board ratification of Issue 04-5. He stated that the staff will post the proposed FSP to the FASB website for public comment in conjunction with the draft abstract for Issue 04-5. He stated that the staff will draft the proposed FSP and circulate it to the Board for comment before posting it to the FASB website for a 45-day comment period.
15. Mr. Smith stated that all comments received on the tentative conclusions reached in Issue 04-5 and the proposed FSP will be considered in the aggregate before the staff makes a final recommendation to the Board.
16. Mr. Smith also stated that the AICPA has agreed to communicate to constituent groups that tentative conclusions were reached in Issue 04-5 and that both a draft abstract reflecting those tentative conclusions and a related proposed amendment to SOP 78-9 will be posted to the FASB website for a 45-day comment period.
17. Mr. Trott stated that he believes there should be no distinction between real estate and non-real estate enterprises when accounting for an investment in

a partnership when limited partners have certain rights. He supported posting the proposed FSP for public comment.

18. Ms. Seidman expressed concern that there will be four approaches in GAAP for evaluating the rights held by others relative to consolidation and recommended that the staff explore codification of the existing guidance. Mr. Golden stated that the Task Force has expressed a preference for developing a consistent model to be applied to all types of enterprises (including real estate partnerships, non-real estate partnerships, and corporations) and that the codification of Issue 04-5 and EITF Issue No. 96-16, "Investors Accounting for an Investee When the Investor Has a Majority of the Voting Interest but the Minority Shareholder or Shareholders Have Certain Approval or Veto Rights," will be discussed at the March 16-17, 2005 EITF meeting.
19. Mr. Herz asked if any Board members would object to posting a proposed FSP that would amend certain aspects of SOP 78-9. No Board members objected.

Follow-up Items:

The staff will draft a proposed FSP to amend SOP 78-9 and circulate it to the Board for comment before posting it to the FASB website for a 45-day comment period.