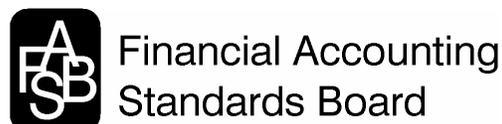


MINUTES



To: Board Members
From: Campbell (ext. 352) Strange (ext. 442)
Subject: Minutes of the October 19, 2005, Board Meeting: (First-Time IFRS Adopters) **Date:** October 24, 2005
cc: Bielstein, Smith, Petrone, Cassel, Campbell, Sutay, Swift, Polley, Gabriele, Carney, Mahoney, Leisenring, Attmore, Bean, Project Team, 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 or Interpretation.

Topic: Amendments to the Application of U.S. GAAP by Foreign Private Issuers Adopting International Financial Reporting Standards (IFRSs) for the First Time—Agenda Decision

Basis for Discussion: Board memorandum no. 1 dated October 6, 2005

Length of Discussion: 9:00 a.m. to 9:15 a.m.

Attendance:

Board members present: Herz, Batavick, Crooch, Schipper, Seidman, Trott, and Young

Board members absent: None

Staff in charge of topic: Campbell

Other staff at Board table: Bielstein, Cassel, and Strange

Outside participants: None

Summary of Decisions Reached:

The Board considered a constituent request that it undertake a project relating to the application of U.S. GAAP by foreign private issuers that have adopted IFRS. The objective of such a project would be to eliminate certain differences between net income and equity as reported under U.S. GAAP and the amounts as reported under IFRS that arise from differing adoption dates of certain otherwise similar standards. The Board decided not to add such a project to its agenda.

Objective of Meeting:

The objective of the meeting was for the Board to decide whether to add a project to its agenda to address amendments to the application of U.S. GAAP by foreign private issuers adopting IFRSs for the first time. The objective was met; however, as noted in the summary of decisions reached, the Board decided not to add this project to its technical agenda.

Matters Discussed and Decisions Reached:

1. Mr. Campbell stated that the purpose of today's meeting is for the Board to consider a request from a constituent. The constituent's request was for the Board to add a project to its agenda to amend existing authoritative guidance which would provide special accounting treatments for foreign private issuers who are registered with the SEC and adopt IFRSs for the first time.
2. The requested amendments would allow a foreign private issuer to eliminate certain differences in its reconciliation between IFRSs and U.S. GAAP that the SEC requires for it to disclose in certain filings. The requested amendments would be targeted at those differences that might arise because of:
 - a. The implementation of otherwise similar IFRSs and U.S. GAAP at different times and with different transitional requirements; and

- b. The historical exercise of management's judgment under U.S. GAAP that fixes an accounting treatment different from what would now be adopted under IFRSs.
3. Mr. Campbell explained that the four areas where amendments have been requested are in:
 - a. The classification of previously recognized financial assets
 - b. The determination of the functional currency
 - c. The recognition of cumulative foreign currency translation differences
 - d. The recognition of cumulative actuarial gains and losses related to postemployment benefits.
4. Mr. Campbell stated that because of the reasons in paragraph 12 of the meeting handout and the details of today's Board memorandum, the staff recommends that the Board not add a project to its agenda. He then opened up the topic for the Board's discussion.
5. Mr. Crooch agreed with the staff's recommendation. He noted that this is a transition issue that some other body may address; however, it should not be addressed by the Board.
6. Ms. Seidman stated that she agrees with the staff's recommendation. In addition to the reasons identified by the staff in the Board handout, she felt the universe of desired amendments to allow a foreign private issuer to eliminate certain differences in its reconciliation between IFRSs and U.S. GAAP includes more than just the four areas requested by the constituent. She noted that if the Board granted these amendments, it could lead to potentially unlimited requests. She also does not believe that the constituent's request is the optimal way to handle the issue.
7. Mr. Trott agreed with the staff's recommendation. He noted that these amendments would not eliminate convergence issues because there would be

continuing differences in many of the areas subsequent to the switch from U.S. GAAP to IFRSs. The requested amendments would mainly eliminate the cumulative amount of the differences and is, in effect, a one-time ability to amend an accounting decision that has been previously made. Mr. Trott noted that these amendments would result in U.S. GAAP-based financial statements that are not consistent with previous years and would not result in the same accounting treatment under U.S. GAAP and IFRSs. In many of the decisions to adopt IFRSs, companies could eliminate these differences by the method they choose to adopt.

8. Ms. Schipper noted that for reasons a.—f. in paragraph 12 and the staff's observations in paragraph 13 of the Board handout, she supports the staff's recommendation.
9. Mr. Batavick also supports the staff's recommendation. He noted that he fully understands the problems and concerns raised by constituents and that they have been debated in small group meetings. He stated that the Board needs to focus on the pervasiveness of an issue and the Board's other projects before deciding to add another project to its technical agenda. For the reasons articulated by the staff and other Board members as well as the lack of pervasiveness of this issue, Mr. Batavick does not believe this project should be added.
10. Mr. Young questioned whether the staff had received any feedback from the IASB about this request. Ms. Bielstein responded that although the staff has had brief discussions with the IASB staff, the staff did not provide an opinion regarding whether the Board should undertake this project. She noted that the IASB staff anticipated that this would be a problem when they developed the guidance for first-time issuers and they moderated the issue of IFRSs conversion as much as they could.
11. Mr. Young stated that he would like to see the Board do everything in its power to encourage convergence and aid preparers. He would support looking at some, but not all, of the issues identified because he does not view this request as

unreasonable. To the extent the amendments could simplify the work for the preparer and realign timing decisions, Mr. Young supports adding the project.

12. Mr. Herz supported the staff's recommendation. While he expressed sympathy for a few of the situations explained in the request, he noted that the preparer has the choice of what method to use and a different choice would result in no reconciling items. Mr. Herz did not agree with the constituent's analysis that determining the functional currency for a foreign currency translation could result in a different answer considering the similar criteria under U.S. GAAP and IFRSs. He believes an auditor would significantly question that answer. He emphasized that preparers can make choices that avoid the reconciling items.
13. In summary, the Board voted 6–1 with no objections to support the staff's recommendation not to add a project addressing amendments to the application of U.S. GAAP by foreign private issuers adopting IFRSs for the first time.

Follow-up Items:

None.

General Announcements:

None.