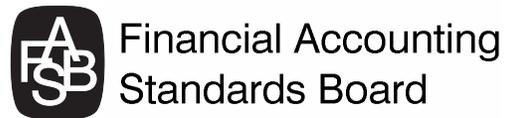


**MINUTES**



**To:** Board Members

**From:** Mike Kramer (ext. 273)

**Subject:** Minutes of the February 9, 2005 Board Meeting      **Date:** February 14, 2005

**cc:** L. Smith, Bielstein, Moss, Golden, Leisenring, Polley, Gabriele, BC Project Team, Sutay, FASB Intranet

Topics: Proposed FSP APB 18-a: Accounting by an Investor for Other Comprehensive Income of an Investee Accounted for under the Equity Method upon a Loss of Significant Influence

Basis for Discussion: Board memorandum dated February 7, 2005.

Length of Discussion: 10:40 a.m. to 11:00 a.m.

Attendance:

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

IASB Board/Staff present: None

Board members absent: Schipper

Staff in charge of topics: Moss

Other Staff at Board table: L. Smith, Golden, and Kramer

Outside Participants: None

### Summary of Decisions Reached:

The Board decided that proposed FASB Staff Position (FSP) APB 18-a, "Accounting by an Investor for Other Comprehensive Income of an Investee Accounted for under the Equity Method upon a Loss of Significant Influence," should be applied prospectively (without requiring the recording of an adjustment for the cumulative effect of a change in accounting principle) regardless of the method that has been applied historically. The Board directed the staff to post the proposed FSP to the FASB website for a comment period of 60 days. The Board approved an effective date of the first reporting period beginning after the final Board-cleared FSP is posted to the FASB website.

### Objective of the Meeting:

The objective of the meeting was to discuss a proposed FSP on accounting for an investor's proportionate share of an investee's equity adjustments for other comprehensive income upon a loss of significant influence. The objective of the meeting was achieved.

### Matters Discussed and Decisions Reached:

1. Mr. Moss provided background for the discussion. At the January 5 Board meeting, the Board directed the staff to prepare an FSP that indicates that upon a loss of significant influence, an investor should offset its proportionate share of an investee's equity adjustments for other comprehensive income (OCI) against the carrying value of the investment. Additionally, at that meeting, the Board directed to the staff to explore transition alternatives for entities that have historically recorded that amount in income upon a loss of significant influence (View C as presented at the January 5 meeting). Accordingly, the staff asked the Board (a) whether the provisions of this FSP should be applied prospectively (regardless of the method an entity has historically applied) or (b) whether an adjustment for a cumulative effect of a change in accounting principle should be required for entities that have historically followed View C. The staff supports prospective application of this

FSP with an effective date of the first reporting period beginning after the final Board-cleared FSP is posted to the FASB website.

2. Messrs. Batavick, Crooch, and Young said that they support the staff recommendation of a prospective application.
3. Mr. Trott indicated that he directed the staff to include an example of how entities following current practice would apply the provisions of the proposed FSP. Such an example would clarify that only OCI built up while applying the equity method would be eliminated, but after the loss of significant influence there could be OCI related to the investment for the period. He also agrees with the staff recommendation.
4. Ms. Schipper submitted in written comments that she agrees with the staff recommendation, but also agrees with the idea of including an example or explanatory language to clarify how prospective application would work.
5. The Board agreed without objection that the proposed FSP should be applied prospectively (without requiring the recording of an adjustment for the cumulative effect of a change in accounting principle) regardless of the method that has been applied historically.
6. Mr. Moss clarified that the staff has already drafted explanatory language and an example, which will be circulated to the Board. The Board and staff will decide the appropriate guidance during the drafting process. Mr. Moss asked the Board if it would approve posting the proposed FSP to the FASB website for comment.
7. The Board agreed (a) to the staff posting the proposed FSP to the FASB website for a comment period of 60 days and (b) to an effective date of the first reporting period beginning after the final Board-cleared FSP is posted to the FASB website.

Follow-up Items:

None

General Announcements:

None