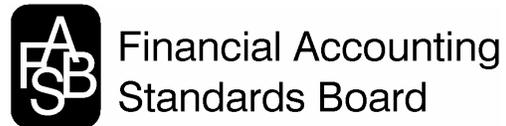


MINUTES



**To:** Board Members

**From:** Financial Performance Reporting by  
Business Enterprises team (Cronin, ext 443)

**Subject:** Minutes of the August 31, 2005 Board  
Meeting—Financial Performance Reporting: **Date:** September 8, 2005  
Interim Financial Reporting

**cc:** Bielstein, Smith, Petrone, Leisenring, Project Team, Bullen, T. Johnson,  
Lott, Mahoney, Carney, Gabriele, Sutay; Swift, Polley; Bean, Patton,  
FASB Intranet, Hickey, Barker, Buchanan

*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: Interim Financial Reporting

Basis for Discussion: Memorandum dated August 10, 2005

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

Attendance:

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

Board members absent: Seidman

Staff in charge of topic: Sullivan

Other staff at Board table: Bossio, Cronin, Duke, and Lusniak

Outside participants: Buchanan and Barker (IASB), by phone

### Summary of Decisions Reached:

The Board discussed and decided that improvements in presentation and display should be made to U.S. GAAP interim reporting guidance and that the following issues should be addressed within the scope of the performance reporting project:

1. Which financial statements, if any, should be required to be presented in an interim financial report?
2. Whether financial statements required in an interim financial report should be allowed to be presented in a condensed format, and if so, whether the Board should provide guidance related to how the information may be condensed.
3. What comparative periods, if any, should be required to be allowed in interim financial reports and when, if ever, should 12 months-to-date financial statements be required or allowed in interim financial reports?
4. Whether guidance for private companies should differ from guidance for public companies.

The Board decided that these matters should be addressed as a separate segment of the performance reporting project to be worked on after or near the completion of Segment B.

### Objectives of Meeting:

The objectives of the meeting were for the Board to consider (1) whether improvements should be made to U.S. GAAP interim reporting guidance and (2) whether those improvements, if any, should be considered within the performance reporting project as well as the timing and sequencing of those improvements within the project.

## Matters Discussed and Decisions Reached:

### *Scope Issues*

1. Ms. Sullivan stated that the IASB and FASB have existing standards on interim reporting—IAS 34, *Interim Financial Reporting*, and APB Opinion No. 28, *Interim Financial Reporting*. The major differences between the two standards are that IAS 34: (a) defines the set of financial statements to be presented in an interim financial report, (b) specifies the level of detail those statements must be presented in, and (c) provides guidance related to comparative financial statements to be presented. Opinion 28 does not provide such guidance; rather, it provides guidance in the form of minimum disclosure requirements that apply only to public companies.

2. Ms. Sullivan stated that the staff has identified several main areas where improvements in interim financial reporting can be made. She asked the Board whether the following issues should be addressed within the scope of the performance reporting project:

- a. Which financial statements, if any, should be required to be presented in an interim financial report (statement of financial position, statement of earnings and comprehensive income, statement of changes in equity, and statement of cash flows)?
- b. Should the financial statements required in an interim financial report be allowed to be presented in a condensed format? If so, should the Board provide any guidance related to how the information may be condensed?
- c. What comparative periods, if any, should be required or allowed in interim financial reports? When, if ever, should 12 months-to-date financial statements be required or allowed to be presented in interim financial reports?
- d. Should guidance for private companies differ from guidance for public companies?

3. Ms. Sullivan noted that the staff acknowledges that this project is an ideal vehicle to use to achieve improvements to interim reporting display and presentation issues. The issues identified are logical extensions of the decisions made by the Board for annual financial statements and, therefore, the staff recommends that all of the above issues should be considered by the Board within the performance reporting project. All Board members agreed that these issues should be addressed within the scope of the performance reporting project.

4. With regard to issue (a) in paragraph 2, Mr. Batavick noted that Segment A of the performance reporting project will establish what constitutes as a complete set of financial statements. He also said that he agrees with the staff's view that a logical extension of this objective includes establishing the reporting requirements both on an annual and an interim basis to improve reporting comparability between companies and therefore agrees with the staff's recommendation. However, Mr. Batavick also said that the Board and staff must coordinate these efforts with the Securities and Exchange Commission (SEC).

5. With regard to issues (b) and (c) above, Mr. Batavick also agreed that the performance reporting project should address those issues relating to the condensed format of financial statements in addition to which periods should be presented in an interim set of financial statements. He said that he believes that addressing these issues will increase comparability and thus, result in improved financial reporting.

6. In regards to issue (d) above, Mr. Batavick is concerned that there are user needs and other cost benefit considerations that would need to be addressed in order to decide on this matter.

7. Mr. Crooch agreed with Mr. Batavick emphasizing that these issues must be addressed to issue a document regarding the reporting of an entity's performance. He also agreed that additional input must be sought to determine the effect on private companies.

8. Mr. Trott and Mr. Young agreed with the staff's recommendation to include all four of the issues within the scope of the financial reporting project. Ms. Schipper also agreed and stated that IAS 34 would be a logical starting point for issue analysis as it already contains guidance on some of the issues the staff has identified.

9. Mr. Herz also said he agrees with the staff's recommendation and stated that Ms. Seidman had indicated to him (by email) that she too supports the staff's position. Additionally, Ms. Seidman communicated that she would also like to address disclosures in an interim report.

10. Ms. Sullivan stated that the memorandum on interim reporting indicates that issues relating to the notes on financial statements would be limited to consequential amendments, instead of including a wholesale review of all of the notes. She also pointed out that most U.S. standards are written in such a way that no amendments may be required. However, the staff would perform a review to ensure no discrepancies related to time periods exist between the requirements for face of the statement information and information included within the notes. This review would also likely be addressed again when evaluating what information in annual reports can be condensed for interim reporting.

11. Mr. Trott added that the issues raised by the staff today represent a limited look at interim financial reporting because they do not focus on recognition and measurement or allocation issues. Ms. Sullivan acknowledged that this project is concerned only with display and presentation issues.

#### *Timing Issues*

12. Ms. Sullivan stated that based on the Board's agreement that these issues should be addressed in the performance reporting project, now the question is, when is the appropriate time to consider these issues? The alternatives are as follows:

- a. Alternative 1**—Now, within Segment A of the project (implying that this information would be included within the Exposure Draft currently being drafted and that such additional work would cause a delay in issuance of that Exposure Draft)
- b. Alternative 2**—Later, within Segment B of the project
- c. Alternative 3**—Later, as a separate segment (Segment C) between work on Segment A and Segment B
- d. Alternative 4**—Later, as a separate segment (Segment C) or project which would be worked on after or near completion of Segment B.

Ms. Sullivan stated that the staff's view is that greater efficiency can be achieved if the determination of interim presentation requirements are resolved after issues of annual financial statements (particularly relating to disaggregation and aggregation principles) have been completed. She indicated that efficiency is obtained because the staff can leverage off of the decisions made for annual financial statements in deliberations regarding interim information. The staff feels strongly that to ensure guidance is well thought out, issues need to be researched, evaluated, and deliberated. The staff thinks that beginning such an effort now would delay the completion of the Segment A and Segment B topics. The staff, therefore, recommends waiting to address these issues at or near the end of the completion of Segment B (Alternative 4).

13. Mr. Batavick noted the importance of issuing an Exposure Draft on Segment A by the end of 2005. He said that the decision to move to a single statement of earnings and comprehensive income needs to be commented on and that any delay to that process would not be justified. Mr. Batavick agrees with the staff's recommendation because he believes there is an opportunity to leverage the information obtained in Segment B relating to format, content, and presentation issues in a way that will facilitate the discussions on interim financial reporting.

14. Messrs. Crooch, Young, and Herz all agreed with the staff's recommendation, and Ms. Seidman communicated her agreement by email. Mr. Young added that while there is a need to address the shortcomings of the interim guidance, it would first be useful and necessary to obtain comments on the other areas within Segment A.

15. Mr. Herz further stated that in the U.S. reporting context, there are two different types of interim reports. The first type is a stand-alone, or complete, set of financials with requirements for full footnote disclosure and the necessary registration documents. The other type is a periodic report that is considered to be a component of the annual statements. Mr. Herz noted the need to determine, with the help of the SEC, how both of these interim financial reports will be affected by this project. He believes that it is necessary to include within the Exposure Draft of Segment A the staff's understanding of any changes the SEC may make or consider regarding interim financial reporting so that SEC registrants may better understand how the Exposure Draft's proposed requirements may affect their SEC reporting requirements.

16. Mr. Trott does not support the staff's recommendation and stated that interim financial reporting should be addressed within Segment A (Alternative 1). He reiterated his belief that the issues to be addressed are not conceptual in nature and would therefore not result in a delayed drafting of the Segment A document. He believes constituents will question requirements for interim reporting and therefore, these issues should be addressed as part of the Segment A Exposure Draft.

17. Ms. Schipper questioned what the proposed Segment A Exposure Draft would say regarding the implications of the decisions made in Segment A for entities that are required to file a form 10Q or entities that might be required to file one of the sub-period statements in the context of a takeover or a spin off. Ms. Sullivan replied that, in her view, the Exposure Draft would be silent on that issue in the standard section. SEC registrants would need to look at existing SEC guidance pertaining to the filing requirements for public companies.

However, Ms. Sullivan also commented that a “roadmap” addressing the intended progression of the project, including interim financial reporting, would be added to the basis for conclusions section.

18. Ms. Schipper questioned whether the staff anticipates the receipt of comment letters to the Segment A Exposure Draft regarding the potential confusion as to the number and type of financial statements required in an interim report. Believing herself that this will occur, Ms. Schipper agreed with Mr. Trott’s assessment that interim financial reporting should be addressed immediately within Segment A. She stated that it is necessary for the Board to make a decision immediately about the issue of how many periods to include in an interim report

Follow-up Items:

None

General Announcements:

None