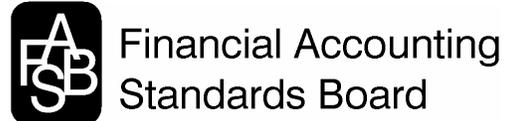


MINUTES



To: Board Members

From: Subsequent Events Project Team
Strange (Ext. 442)

Subject: Minutes of the August 17, 2005
Board Meeting: Subsequent Events- Agenda Decision **Date:** August 23, 2005

cc: Smith, Bielstein, Petrone, Leisenring, Project Team, Craw, Sullivan, Swift, Sutay, Carney, Polley, Gabriele, Intranet (e-mail), Attamore, Bean

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: Subsequent Events—Agenda Decision

Basis for Discussion: Two memorandums (Board Memorandum No. 1 Dated July 21, 2005, and Board Memorandum No. 2 “Supplemental Information” Dated August 11, 2005)

Length of Discussion: 9:00 a.m. to 9:30 a.m.

Attendance:

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

Board members absent: None

Staff in charge of topic: Campbell

Other staff at Board table: Bielstein, Brady, Strange

Outside participants: None

Summary of Decisions Reached:

Related to its effort to develop an authoritative codification of U.S. GAAP, the Board decided to add a project to its agenda to establish general standards of accounting for and reporting of events that occur subsequent to the balance sheet date.

The Board decided not to undertake a fundamental reexamination of this area. Rather, it plans to develop standards that reflect the principles underpinning current subsequent events guidance in existing accounting standards and in the auditing requirements contained in AICPA Codification of Statements on Auditing Standards, AU Section 560, *Subsequent Events*.

The Board also decided that an objective of the project would be to consider whether certain minor differences between U.S. GAAP and the corresponding international financial reporting standard, IAS 10, *Events after the Balance Sheet Date*, could be eliminated or minimized. Those efforts will focus on guidance related to:

1. The date through which subsequent events are considered for adjustment to or disclosure in the financial statements
2. The reissuance of financial statements
3. The examples used to illustrate the accounting requirements.

The Board further decided that the project would not address inconsistencies or differences between U.S. GAAP and international financial reporting standards in the following areas that the Boards plan to address in their joint project on reporting financial performance, including:

1. Refinancing of short-term obligations
2. Curing breaches of borrowing covenants
3. Going concern issues.

The Board directed the staff to prepare a comprehensive draft of the proposed Statement for its further consideration; the draft will incorporate the accounting requirements of AU Section 560 and the staff's proposals to address the international convergence objective of the project.

Objective of Meeting:

The objective of the meeting was for the Board to decide whether to add a project to its agenda to establish standards of accounting for and reporting of events that occur subsequent to the balance sheet date that would replace existing requirements that are currently contained in the auditing literature and also to consider whether international convergence should be an objective of the project. The objective of the meeting was met.

Matters Discussed and Decisions Reached:

1. Mr. Campbell began by stating the objective of the meeting and asking the Board to consider the following two issues:

Issue 1—Whether to Add a Project to the Agenda to Move the Accounting Requirements for Subsequent Events from the Auditing Literature into FASB Literature

Issue 2—Whether to Make International Convergence an Objective of the Project.

2. Mr. Campbell noted that the Board memoranda outlined three potential project plans for Board consideration, which are as follows:

- Approach A—which would not consider convergence. It is essentially a narrow “lift and drop” approach that would replicate the existing guidance in AU Section 560 and make any necessary editorial changes.

- Approach B—which would consider convergence issues not being considered as part of another project. The most significant of these convergence issues would be to examine the date through which subsequent events are considered.
 - Approach C—which would be a “clean sheet” approach where the Board would completely reconsider the accounting requirements for subsequent events.
3. Mr. Campbell stated that the staff recommends the Board add the project and include some consideration of convergence issues (Approach B). The staff also recommends that if the Board makes international convergence an objective of the project, then the Board should not consider those issues that are being considered in the Board’s project on reporting financial performance. Those issues are:
- Treatment of refinancing of short-term obligations
 - Treatment of curing breaches of borrowing covenants
 - Going concern issues.

Ms. Schipper agreed with the staff’s recommendation. She noted that while she would prefer Approach C—a wholesale reconsideration of subsequent events—she understands the Board has higher priority projects competing for space on its agenda, and that a comprehensive reexamination of subsequent events would be impossible. Ms. Schipper believes that Approach B, which includes convergence as an objective, is the best choice between pragmatism and conceptual correctness. However, given the difficulty the Board has encountered in another project to move guidance from the auditing literature (specifically, the GAAP hierarchy project), she believes the Board should attempt to converge on as many issues as practicable, while understanding that there will not be complete convergence.

4. Mr. Batavick agreed that the project should be added to the agenda; however he disagreed with the staff’s recommendation regarding Issue 2. Instead of a

project considering convergence issues, Mr. Batavick supports the narrower approach, Approach A. He noted that there are not significant differences between AU Section 560 and the relevant international literature (IAS 10). Since the FASB is the predominant accounting standards setter, Mr. Batavick feels the project is a natural step for the Board because subsequent events is a principle that guides preparers and the new standard could be incorporated into the codification project.

5. Mr. Young disagreed with the staff's recommendation on Issue 1. He did not believe this was a significant problem for preparers and saw only limited value in putting this guidance into the accounting literature. He did not believe this project was a high priority given the Board's other projects.
6. Ms. Seidman supports the staff's recommendation on Issue 1 but disagrees on Issue 2. She stated she could only support Approach A, a "lift and drop" since she believes the subsequent event guidance is an important principle but feels convergence would delay the project and engage too many resources given the priorities of the Board. She noted that it is important to add the project so the literature can be included in codification.
7. Mr. Trott supports the staff's recommendation. He did not believe reconsideration of date of issuance, reissuance, and consistency of examples the staff identified for Approach B would take a significant amount of time. He feels the U.S. already has the appropriate guidance for the date of issuance and reissuance items and indicated he believed the IASB should consider whether they would converge on this topic.
8. Mr. Crooch supported the staff's recommendation. He stated that the Board has agreed to always look at convergence when it issues a new standard and he believes they should do so for this project.

9. Mr. Herz supported the staff's recommendation to add the project. He stated that if the staff could present a complete package for consideration by the Board he would support Approach B.

10. In summary, the Board voted to add the project with only Mr. Young objecting. Four Board Members (EWT, GMC, KAS and RHH) voted to make convergence an objective of the project. Mr. Batavick and Ms. Seidman did not object to making international convergence an objective of the project provided that the staff prepares a comprehensive draft of the proposed Statement incorporating all the staff's recommendations for consideration by the Board at a future meeting.

11. The Board directed the staff to prepare a comprehensive draft of the proposed Statement for its further consideration; the draft will incorporate the accounting requirements of AU Section 560 and the staff's proposals to address the international convergence objective of the project.

Follow-up Items:

The FASB staff will contact the IASB staff to discuss the project.

General Announcements:

None.