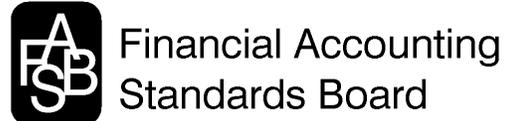


MINUTES



To: Board Members
From: Reager (ext. 393)
Subject: FSP FAS 144-d, Amending the Criteria for Reporting a Discontinued Operation **Date:** August 11, 2008
cc: Golden, Bielstein, Leisenring, Lott, Proestakes, Stoklosa, C. Smith, Mechanick, Glotzer, Leverenz, Petrone, Kawanishi, Reager, Posta, Chookaszian, Gabriele, Klimek, Allen, 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, Interpretation, or FSP.

Topic: FSP FAS 144-d, Amending the Criteria for Reporting a Discontinued Operation

Basis for Discussion: Board Memorandum 5 and Board Memorandum 5 Supplement

Length of Discussion: 11:07 a.m. to 11:20 a.m.

Attendance:

Board members present: FASB: Herz, Batavick, Linsmeier, Seidman, and Smith

Staff in charge of topic: Leverenz

Other staff at Board table: Golden, Proestakes, and Reager

Participation by phone: Kawanishi

Summary of Decisions Reached:

The Board decided to amend the proposed definition of discontinued operations to include businesses (as defined in FASB Statement No. 141 (revised 2007), *Business Combinations*) that meet the criteria to be classified as held for sale on acquisition. In addition, the Board decided that it would not include an additional requirement that would limit businesses that meet the criteria to be classified as held for sale on acquisition to be reported in discontinued operations only when the sale is required by law or regulation.

The Board decided that the following discontinued operation disclosures and business combination disclosures would not be required for businesses that meet the criteria to be classified as held for sale on acquisition:

For discontinued operation disclosures:

1. The gain or loss recognized for any initial or subsequent write-down to fair value less cost to sell (FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, paragraph 47(b))
2. Amount of pretax profit or loss reported in discontinued operations (Statement 144, paragraph 47(c))
3. Major classes of assets and liabilities of a disposal group (Statement 144, paragraph 47(a))
4. Major classes of income and expenses, including impairments, interest, depreciation, and amortization (a new requirement)
5. If applicable, net income attributable to the parent (controlling interest) (a new requirement)
6. Major classes of cash flows (operating, investing, and financing) (a new requirement)

For business combination disclosures:

7. For acquired receivables not subject to requirements of AICPA Statement of Position 03-3, *Accounting for Certain Loans or Debt Securities Acquired in a Transfer*:
 - a. The fair value of the receivables
 - b. The gross contractual amounts receivable
 - c. The best estimate at the acquisition date of the contractual cash flows not expected to be collectedThe disclosure shall be provided by major class of receivable, such as loans, direct finance leases in accordance with Statement 13, and any other class of receivables. (Statement 141(R), paragraph 68(h))
8. The amounts recognized as of the acquisition date for each major classes of assets acquired and liabilities assumed (paragraph A107) (Statement 141(R), paragraph B68(i))

9. If the acquirer is a *public business enterprise*, as described in paragraph 9 of FASB Statement No. 131, *Disclosures about Segments of an Enterprise and Related Information*:
- (i) The amounts of revenues and earnings of the acquiree since the acquisition date included in the consolidated income statement for the reporting period
 - (ii) The revenue and earnings of the combined entity for the current reporting period as though the acquisition date for all business combinations that occurred during the year had been as of the beginning of the annual reporting period (*supplemental pro forma information*)
 - (iii) If comparative financial statements are presented, the revenue and earnings of the combined entity for the comparable prior reporting period as though the acquisition date for all business combinations that occurred during the year had occurred as of the beginning of the comparable prior annual reporting period (*supplemental pro forma information*) (Statement 141(R), paragraph 68(r)).

The Board decided that if an entity presents the major classes of assets and liabilities classified as held for sale and/or major classes of income and expense of discontinued operations in the notes, an entity shall reconcile those note disclosures to the amounts presented on the face of the financial statements.

The Board decided it would not provide explicit guidance as to whether the proposed disclosures should be provided separately for each component of an entity and each non-current asset (disposal group) that either has been disposed of or is classified as held for sale. Also, the Board decided that the proposed FSP would not include a question in the notice to recipients on whether the disclosures should be provided separately for each component and each non-current asset (disposal group) that either has been disposed of or is classified as held for sale.

The Board decided that the use of proceeds from disposal activities would be excluded from the disclosure requirements. In addition, the Board supported including clarifying language in the proposed FSP stating that an entity shall determine whether the component of an entity meets the definition of an operating segment regardless of whether it is required to apply Statement 131.

The Board directed the staff to proceed to a draft of a proposed FSP for vote by written ballot.

Objective of Meeting:

The purpose of the meeting was to discuss the remaining issues that need to be addressed and ask for permission from the Board to proceed with a draft of a proposed FSP for vote by written ballot. The objective of the meeting was met.

Matters Discussed and Decisions Reached:

Issue 1: Whether to include businesses (as defined in Statement 141(R)) that meet the criteria to be classified as held for sale on acquisition in the proposed definition of discontinued operations.

1. Mr. Leverenz said that the staff has identified four alternatives to potentially expand the definition of a discontinued operation to not only include components that are an operating segment but also include held for sale on acquisition criteria.
2. Mr. Leverenz stated that View A expands the definition of a discontinued operation to include all components of an entity that meet the criteria to be classified as held for sale on acquisition. He said that View B expands the definition of a discontinued operation to include all subsidiaries (in their legal form) that meet the criteria to be classified as held for sale on acquisition. Mr. Leverenz stated that View C expands the definition of a discontinued operation to include all businesses (as that term is defined in Statement 141(R)) that meet the criteria to be classified as held for sale on acquisition. Finally, he said that View D states that there should be no additional criteria to expand the definition of a discontinued operation and only an operating segment should meet the definition of a discontinued operation.

Issue 1 Staff Recommendation

3. Mr. Leverenz stated that the staff recommends View C, which expands the definition of a discontinued operation to include all businesses (as that term is defined in Statement 141(R)) that meet the criteria to be classified as held for sale on acquisition.
4. Mr. Leverenz said that at the July 22, 2008 IASB Board Meeting, the IASB agreed with View C, which amends the proposed definition of discontinued operations to

include all businesses that meet the criteria to be classified as held for sale on acquisition.

Issue 1 Board Vote

5. The Board voted unanimously in favor of amending the proposed definition of discontinued operations to include businesses (as defined in Statement 141(R)) that meet the criteria to be classified as held for sale on acquisition.

Issue 2: Whether to include an additional requirement that would limit businesses that meet the criteria to be classified as held for sale on acquisition to be reported in discontinued operations only when the sale is required by law or regulation?

Issue 2 Staff Recommendation

6. Mr. Leverenz stated that the staff recommends not including an additional requirement that would limit businesses that meet the criteria to be classified as held for sale on acquisition to be reported in discontinued operations only when the sale is required by law or regulation.
7. Mr. Leverenz said that the staff believes that, in some cases, it would be very difficult to determine what is required by law. He also said that at the July 22, 2008 IASB Board Meeting, the IASB agreed with the staff recommendation.

Issue 2 Board Vote

8. The Board voted unanimously in favor of not including an additional requirement that would limit businesses that meet the criteria to be classified as held for sale on acquisition to be reported in discontinued operations only when the sale is required by law or regulation.

Issue 3: Whether businesses that meet the criteria to be classified as held for sale on acquisition should be exempt from certain discontinued operation disclosures and business combination disclosures that are specified in the Summary of Decisions Reached of the Board Minutes.

Issue 3 Staff Recommendation

9. Mr. Leverenz stated that the staff recommends businesses that meet the criteria to be classified as held for sale on acquisition should be exempt from certain discontinued operation disclosures and business combination disclosures.
10. Mr. Leverenz said that at the July 22, 2008 IASB Board meeting, the IASB agreed with the staff recommendation.

Issue 3 Board Vote

11. The Board voted unanimously that businesses that meet the criteria to be classified as held for sale on acquisition should be exempt from certain discontinued operation disclosures and business combination disclosures.

Issue 4: Whether to require that if an entity presents the major classes of assets and liabilities classified as held for sale and/or major classes of income and expense of discontinued operations in the notes, an entity shall reconcile those note disclosures to the amounts presented on the face of the financial statements.

12. Mr. Leverenz stated that at the July 16, 2008 Education Session, FASB Board members noted that, based on the proposed disclosure requirements the Board has agreed to so far, the amounts presented in the note disclosures would not reconcile to the amounts presented on the face of the financial statements in the following areas, unless an entity voluntarily provides such reconciliation:
 - a. The major classes of income and expense disclosure would not reconcile to after-tax profit or loss from discontinued operations in the statement of income
 - b. The major classes of assets and liabilities disclosure would not reconcile to total assets and total liabilities held for sale in the statement of financial position.

Issue 4 Staff Recommendation

13. Mr. Leverenz stated that the staff recommends requiring that if an entity presents the major classes of assets and liabilities classified as held for sale and/or major classes of income and expense of discontinued operations in the notes, an entity shall reconcile those note disclosures to the amounts presented on the face of the financial statements.

14. Mr. Leverenz stated that at the July 22, 2008 IASB Board meeting, the IASB agreed with the staff recommendation.

Issue 4 Board Vote

15. The Board voted unanimously in favor of including the requirement that if an entity presents the major classes of assets and liabilities classified as held for sale and/or major classes of income and expense of discontinued operations in the notes, an entity shall reconcile those note disclosures to the amounts presented on the face of the financial statements.

Issue 5: Whether the Board should provide explicit guidance as to whether the proposed disclosures should be provided separately for each component of an entity and each non-current asset (disposal group) that either has been disposed of or is classified as held for sale.

Issue 5 Staff Recommendation

16. Mr. Leverenz stated that the staff recommends not providing explicit guidance as to whether the proposed disclosures should be provided separately for each component of an entity and each non-current asset (disposal group) that either has been disposed of or is classified as held for sale.

17. Mr. Leverenz stated that at the July 22, 2008 IASB Board meeting, the IASB agreed with the staff recommendation.

Issue 5 Board Vote

18. The Board voted unanimously not to provide explicit guidance as to whether the proposed disclosures should be provided separately for each component of an entity and each non-current asset (disposal group) that either has been disposed of or is classified as held for sale.

Issue 6: Whether the Exposure Draft would include a question in the Notice to Recipients on whether the disclosures should be provided separately for each component and each non-current asset (disposal group) that either has been disposed of or is classified as held for sale.

Issue 6 Staff Recommendation

19. Mr. Leverenz stated that the staff recommends including a question in the Notice to Recipients on whether the disclosures should be provided separately for each component and each non-current asset (disposal group) that either has been disposed of or is classified as held for sale.
20. Mr. Leverenz stated that at the July 22, 2008 IASB Board meeting, the IASB did not agree with the staff recommendation.

Issue 6 Board Vote

21. The Board voted unanimously that the Exposure Draft would not include a question in the Notice to Recipients on whether the disclosures should be provided separately for each component and each non-current asset (disposal group) that either has been disposed of or is classified as held for sale.

Issue 7: Whether the use of proceeds from disposal activities would be excluded from the disclosure requirements for all components of an entity that either have been disposed of or are classified as held for sale.

Issue 7 Staff Recommendation

22. Mr. Leverenz stated that the staff recommends excluding the use of proceeds from disposal activities from the disclosure requirements for all components of an entity that either have been disposed of or are classified as held for sale.

Issue 7 Board Vote

23. The Board voted unanimously that the use of proceeds from disposal activities would be excluded from the disclosure requirements for all components of an entity that either have been disposed of or are classified as held for sale.

Issue 8: Whether to include clarifying language in the proposed FSP that an entity shall determine whether the component of an entity meets the definition of an operating segment regardless of whether the entity is required to apply Statement 131.

24. Mr. Leverenz stated even though private companies are not in the scope of Statement 131 and, therefore, not required to apply Statement 131 and determine or disclose their operating or reportable segments, private companies would be required to determine if

a component of an entity that either has been disposed of or is classified as held for sale meets the definition of an operating segment to be reported as a discontinued operation.

25. Mr. Leverenz said that to clarify this point, the IASB has added the following language to its proposed draft to amend International Financial Reporting Standard (IFRS) 5, *Non-current Assets Held for Sale and Discontinued Operations*:
- a. An entity shall determine whether the component of an entity meets the definition of an operating segment regardless of whether it is required to apply International Financial Reporting Standard (IFRS) 8, *Operating Segments*.

Issue 8 Staff Recommendation

26. Mr. Leverenz stated that the staff recommends including clarifying language similar to the IASB's clarifying language for the draft of the proposed FSP related to operating segment criterion being applicable to entities that are not required to apply Statement 131.

Issue 8 Board Vote

27. The Board voted unanimously to include clarifying language in the draft of the proposed FSP related to operating segment criterion being applicable to entities regardless of whether those entities are required to apply Statement 131.

Issue 8 Board Comments

28. Mr. Batavick asked how private companies would know that the proposed FSP on discontinued operations affects private companies. Mr. Golden said that the proposed FSP on discontinued operations would affect all companies. Mr. Golden said that the clarifying language in the proposed FSP on discontinued operations would make it clear that when the proposed FSP defines components in Statement 144 by referencing Statement 131, private companies are also affected.
29. Mr. Leverenz stated that the clarifying language in the proposed FSP on discontinued operations is meant to ensure that private companies are aware that the proposed FSP affects private companies even though private companies are exempted from Statement 131 which defines an operating segment.

30. Mr. Herz said that the clarifying language should clearly explain that private companies would be affected by the proposed FSP on discontinued operations.

Issue 9: Whether to proceed to a draft of a proposed FSP for vote by written ballot.

Issue 9 Staff Recommendation

31. Mr. Leverenz stated that the staff recommends proceeding to a draft of a proposed FSP for vote by written ballot.

Issue 9 Board Vote

32. The Board voted unanimously to proceed to a draft of a proposed FSP for vote by written ballot.

Follow-up Items:

None.

General Announcements:

None.