

MINUTES



To: Board Members
From: Project Team (Benson x 446)
Subject: Minutes of the March 28, 2007
Conceptual Framework Board Meeting **Date:** April 5, 2007
cc: Leisenring, Bielstein, Smith, MacDonald, Allen, Polley, Glotzer, Carney,
Lott, Gabriele, Sutay, Project Team, FASB Intranet, Upton, Hickey,
Crook, Lian, Hague, Villmann, Willis, GASB: Reese, Patton

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Topic: Measurement Roundtables Summary and Plan
for Using Measurement Roundtables
Comments

Basis for Discussion: Memorandum Nos. 50 and 51

Length of Discussion: 9:40 a.m. to 10:30 a.m.

Attendance:

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

Board members by phone: Linsmeier

Board members absent: Batavick

IASB members present: Leisenring

Staff in charge of topic: McBeth

Other staff at Board table: Bossio, L.T. Johnson, Bielstein, Beckendorff,
and Benson

Summary of Decisions Reached:

The Board discussed a draft paper summarizing the comments made by participants at the roundtable meetings on measurement that were held in January and February, 2007. The paper will be distributed to participants and posted on the FASB website after it is finalized. The Board also reviewed and approved changes to the plan for the measurement phase arising from the roundtable meeting input. The IASB reached similar conclusions at its March 22, 2007 meeting.

Objective of Meeting:

The objective of the meeting was for the Board to affirm changes to the plan for the measurement phase arising from the roundtable meeting input. The objective of the meeting was met.

Matters Discussed and Decisions Reached:

SUMMARY OF MEASUREMENT ROUNDTABLE COMMENTS

1. Kevin McBeth led the discussion concerning the summary of measurement roundtable comments and the staff's plans for the measurement phase based on those comments. Mr. McBeth stated that the staff plans to make the summary of measurement roundtable comments available to the public via the FASB/IASB joint website, and asked whether the Board had any comments or questions on the summary of comments. He noted that at the March IASB meeting, IASB members requested a disclaimer be added to the summary of measurement roundtable comments and suggested that the disclaimer be similar to that of the IAS 37 roundtable summary. Mr. McBeth read aloud the disclaimer that the staff plans to include with the roundtable summary:

This document summarizes comments made by participants at the roundtable discussions held in London, Hong Kong, and Norwalk in January and February, 2007, as part of the measurement phase of the IASB/FASB joint conceptual framework project. The format of the roundtable discussions did not permit Board members to explore each of the comments in detail. Consequently, Board

members and participants may not have a common understanding of the views expressed. By publishing the participants' comments, the Boards and staff are not making a judgment on the validity of the comments. The Boards will consider participants' comments in more detail and, where appropriate, seek to clarify those comments as part of their ongoing deliberations in the measurement phase of the project before reaching any conclusions.

2. Mr. Herz stated that would prefer not including the phrase "the format of the roundtable discussions did not permit Board members to explore each of the comments in detail," because he thought Board members were given an opportunity to express their views at the roundtables. While Board members did not reach conclusions on the validity of participants' statements, the Boards did have the opportunity to respond to participants' statements. Ms. Seidman agreed with Mr. Herz's amendment to the disclaimer, and Mr. McBeth stated that the staff would change the disclaimer.
3. Ms. Bielstein suggested using the same disclaimer for the measurement roundtable summary as is customarily used for other FASB roundtable summaries. The fact that this disclaimer is different than those normally used suggests that this summary is to be treated differently than others, which is not the case. Mr. McBeth suggested that the language of the disclaimer on the FASB website can be slightly different than the language on the IASB website to satisfy both Boards. He asked the Board if it would be satisfactory for the staff to change the disclaimer based on Board members' comments and, with Mr. Crooch's and Ms. Bielstein's approval, post the modified disclaimer to the FASB website along with the roundtable summary. The Board agreed to Mr. McBeth's suggestion. Ms. Bielstein stated that the staff should use the disclaimer normally found on FASB roundtable summaries, unless the staff finds that such a disclaimer must be modified because of a difference between the measurement roundtables and those normally held by the FASB. Ms. Seidman asked whether roundtable summaries are normally posted to the website. Ms. Bielstein responded affirmatively and explained that all roundtables must have publicly available minutes.
4. Mr. McBeth asked if Board members had any comments on the roundtable summary. Mr. Young stated that non-user participants made several

comments relating to what users want from financial statements, and that it is important for the Board to ask users directly what they want when the Board wants such information. Ms. Bielstein suggested that the staff attribute such comments made by non-users when possible, so that it is apparent within the roundtable summary when non-users were making references to user needs.

5. Ms. Seidman asked whether the nature of the comments received at the three roundtables was consistent. Mr. McBeth responded that at each roundtable, there was discussion of (a) maintaining a multiple-bases system and (b) historical cost versus fair value. Beyond those two common issues, the discussion at each session was slightly different.

STAFF PROPOSALS FOR CONSIDERING ROUNDTABLE PARTICIPANT COMMENTS

6. Mr. McBeth stated that the second memo explains the staff's proposals for dealing with the roundtable comments. The memo is divided into three sections: (a) recommended changes to the overall plan for the measurement phase, (b) actions that the staff plans to take in relation to some of the issues in Milestone I and Milestone II after considering roundtable comments, and (c) disposition of roundtable comments not considered in the first two sections.

Changes to the Overall Plan

7. Regarding recommended changes to the overall plan, the staff proposed that the Boards not plan roundtable discussions for the beginning of the second and third milestones. Because participants discussed all measurement phase issues to some extent at the roundtables, the staff does not think the Boards will find much value in having another set of roundtables before Milestone II commences.
8. The staff also proposed changing the plan regarding due process documents. Originally, the Boards planned to issue a due process document at the end of each milestone. However, the staff thinks it will be more beneficial to issue a single set of due process documents at the end of all three milestones, and simply make a milestone summary available on the joint FASB/IASB website at the end of Milestones I and II. The milestone summary will summarize what has been accomplished by the Boards at the end of each milestone. In

the case of Milestone I, it will show the measurement basis candidates that the staff plans to carry forward into Milestones II and III. Mr. Trott stated that he agrees with the staff's plans, and noted that a milestone summary is an effective way for constituents to follow the Boards' progress closely. Ms. Seidman and Mr. Herz also agreed with the staff's plan.

9. Mr. Linsmeier stated that he has reservations regarding the proposed changes. He stated that if the objective is to change the wording people use to describe measurement bases, placing a summary of relabeled measurement basis names on the website may not be the most effective method because a smaller constituency will notice the measurement summary than would notice a due process document. Particularly, the document prepared for the roundtable discussions in January and February 2007 may not have been developed fully enough for people to understand the concepts of future prices. Additionally, Mr. Linsmeier stated that he agrees a roundtable is not needed before Milestone II, but he is not ready to agree that a roundtable is unneeded before Milestone III without knowing what will be discussed and considered in Milestone III. Specifically, in applying qualitative characteristics to a set of measurement bases, it is necessary to make sure that constituents agree that the Boards have captured all aspects of faithful representation, relevance, and other qualitative characteristics in different measurement bases.
10. Mr. McBeth responded that the purpose of Milestone I is not to change the language that constituents are currently using to describe different measurement bases, but rather change the language that Board members are using for the duration of the conceptual framework project so that it is easier to discuss measurement issues. Thus, the milestone summary will help constituents understand what the Boards have accomplished in Milestone I and what language the Boards will be using to describe measurement bases in Milestones II and III.
11. Ms. Seidman asked how much more Board participation will be needed concerning the inventory of measurement bases before the milestone summary is available on the website. Mr. McBeth responded that hopefully

the milestone summary will be ready for posting after the Boards' April meetings, at which the Boards will discuss the inventory of measurement bases.

12. Mr. Herz stated that he agrees with Mr. Linsmeier that the Board should not yet dismiss the need for a roundtable at the beginning of Milestone III. Mr. McBeth agreed with Mr. Herz and stated that the staff will revisit the possible need for a measurement roundtable at a later time.
13. Mr. McBeth stated that the staff suggests changing the Milestone II strategy so that as the Boards evaluate the inventory of measurement bases, they do not reject any measurement basis because it does not satisfy any one particular criterion. The staff thinks such an approach will make it easier to work through Milestone II, as it will be simpler to evaluate all measurement bases together once the Boards have considered all the evaluative criteria. The Board agreed with the proposed approach.

Changes Related to Milestone I and II Issues

14. Mr. McBeth stated that there are a number of Milestone I and II issues raised by Board members at the February 2007 IASB and FASB meetings and roundtable participants:
 - (a) Board members and roundtable participants found the inventory of measurement bases overly complex, and thus the staff plans to present a simplified inventory at the Boards' April meetings.
 - (b) Some Board members and roundtable participants found the time orientation of each measurement basis confusing. As such, the staff plans to re-examine the time frame analysis and either improve it or eliminate it in the revision of the measurement bases paper for the April Board meetings.
 - (c) Some roundtable participants objected to proceeding with the evaluation of the measurement basis candidates until decisions have been finalized with respect to the objectives of financial reporting and the qualitative characteristics of decision-useful information in Phase A. However, the staff thinks that such a delay is neither practical nor necessary.

- (d) Some roundtable participants thought that certain high-level issues should be addressed before evaluating the measurement bases using the qualitative characteristics, such as capital maintenance, unit of account, and the monetary unit. The staff plans to address capital maintenance and the monetary unit within the measurement phase, and unit of account within Phase B (elements and recognition).
- (e) Some participants questioned the wording of an issue raised to the Boards, “Are the measurement bases relevant to economic resource allocation decisions?” Participants suggested that overall decision usefulness or assessment of future cash flows would be a better focus for relevance.
- (f) Other roundtable participants commented on another issue, “Can the measurement bases be used to create faithful representations of assets and liabilities that can be verified?” Participants suggested that the Boards clarify that all components of faithful representation will be used in evaluating the measurement basis candidates, and the staff will make the recommended changes.

15. Concerning issue (d) above, Mr. Linsmeier stated that given the combination of unit of account and unit of valuation issues in FASB Statement No. 157, *Fair Value Measurements*, unit of account may be better addressed within the measurement phase rather than the elements phase. He suggested the Boards consider the implications of addressing unit of account in the elements and recognition phase versus the measurement phase. Mr. Herz stated that unit of account issue potentially affects both the elements and recognition phase and the measurement phase, and thus the due process documents pertaining to the two phases may need to be combined into one due process document. Mr. McBeth stated that the staff will consider the potential interrelatedness of phases before issuing due process documents.

Consideration of Other Issues

16. Mr. McBeth stated that most of the remaining participant comments will be considered in the future when the Boards and staff address the measurement

issues to which they relate. However, there are a few concerns expressed by some participants at the roundtables that the staff does not intend to consider further. Those concerns include:

- (a) The measurement phase's apparent focus on finding a conceptual ideal. Some participants would rather have the Boards focus on more practical approaches. However, the staff thinks the conceptual framework project should indeed strive for conceptual ideals.
- (b) The primacy of assets and liabilities that is inherent in the preliminary views document for Phase A. Some participants would prefer to focus on performance reporting rather than assets and liabilities. However, the staff thinks the measurement phase should proceed in a manner consistent with assumptions and decisions made in prior phases of the conceptual framework project.
- (c) The exclusion of not-for-profit organizations and small and medium-sized entities. Some participants think the measurement phase should consider the needs of those entities now. However, the staff notes that the Boards have already decided to defer consideration of those needs to a later phase of the project.
- (d) The need for a working group for the measurement phase. Some participants think the measurement phase would benefit from the support of its own working group. However, the staff notes that the Boards' have already assigned that role to their advisory councils.

Thus, the formation of a separate working group is unnecessary.

17. Regarding participant comment (a) above, Mr. Herz acknowledged that the Phase A decisions made related to the objective of financial reporting will dictate the direction of the conceptual ideal used throughout the other phases of the project. For example, an objective of accounting about cash-based returns on invested capital would dictate a different conceptual ideal than would an objective of accounting about current resource allocation. He stated that the conceptual ideal, whatever it may be, must relate to a purpose.

18. Mr. Trott stated that regarding comment (b), the Boards and staff should try to explain that there is no “asset and liability view” or “revenue and expense view.” The definitions of an asset and a liability are used to define other elements in the Concepts Statements, but there are not actually two competing views regarding the use of assets and liabilities versus revenues and expenses.

Timetable

19. Mr. McBeth stated that the staff prepared a timetable for the measurement phase, which covers the staff’s plans through the end of Milestone II. Mr. Crooch asked if the currently proposed timetable is delayed from the originally proposed timetable. Mr. Bossio responded that the staff’s timetable for the overall conceptual framework is delayed compared to the original plan.

20. Mr. Linsmeier questioned the use of the term “scientific measurement” in the memos for the Board meeting. He stated that the term suggests that there are measurement terms that are unscientific. Mr. McBeth stated that scientific measurement principles were referenced by roundtable participants, and such measurement principles do exist. The staff will consider using scientific measurement principles in its research for the measurement phase. Mr. Linsmeier stated that the Boards must strive to develop sound measurement concepts.

Follow-up Items:

None.

General Announcements:

None.