MINUTES

Financial Accounting Standards Board

To:	Board Members		
From:	Van Eperen (x229)		
Subject:	Minutes of November 4, 2009 Board Meeting on Subsequent Events	**Date:**	November 12, 2009
cc:	FASB: Bielstein, Golden, Stoklosa, Proestakes, Posta, Lott, Bement, Gagnon, Cadambi, Zeyher, C. Smith, Glotzer, Mechanick, Gabriele, Chookaszian, Klimek, McGarity, Sutay, Maroney, Van Eperen, FASB Intranet; IASB: Leisenring, AASB: Paul; GASB: Reese		

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 maybe changed at future Board meetings. Decisions become final only after a formal written ballot to issue a final Accounting Standards Update.

Topic:	Implementation Issues
Basis for Discussion:	FASB Memorandum 5
Length of Discussion:	10:10 a.m. to 10:30 a.m.

Attendance:

Board members present:	FASB: Herz, Linsmeier, Seidman, Siegel, and Smith; IASB: Leisenring
Board members absent:	None
Staff in charge of topic:	FASB: Maroney
Other staff at Board table:	FASB: Golden, Proestakes, and Van Eperen
Outside participants:	None

Summary of Decisions Reached:

The Board discussed implementation issues relating to accounting and reporting for subsequent events (*FASB Accounting Standards Codification*™ Topic 855, Subsequent Events, originally issued as FASB Statement No.165, *Subsequent Events*).

The Board clarified that all entities would be required to disclose the date through which subsequent events have been evaluated, in both originally issued and reissued financial statements (as is presently required by paragraphs 855-10-50-1 and 855-10-50-4), unless they have a regulatory requirement to review subsequent events up through the filing or furnishing of financial statements with the SEC.

The Board clarified that entities that are not subject to such regulatory requirement with respect to filing or furnishing of financial statements with the SEC would be required to disclose the date through which subsequent events have been evaluated in originally issued financial statements as well as in a restatement of previously issued financial statements; restatements include both correction of an error and retrospective application of U.S. GAAP.

The Board decided that entities that file or furnish financial statements with the SEC should use an issued date in evaluating subsequent events. An entity that does not file or furnish financial statements with the SEC would be able to use an available-to-be issued date unless the entity has a current expectation of widely distributing its financial statements to shareholders and other financial statement users. If the entity has that expectation, it would use an issued date.

The Board directed the staff to proceed to a draft of an Exposure Draft of a proposed Accounting Standards Update for vote by written ballot, with a 30-day comment period.

The Exposure Draft will propose that the Accounting Standards Update be effective prospectively upon issuance of a final document.

<u>Objective of Meeting:</u>

The purpose of this meeting was to obtain the Board's decisions on the following topics:

1. Reissuances as a result of incorporation of financial statements by reference
2. Issue date for subsidiaries of public entities
3. An Exposure Draft.

The objectives were met.

<u>Matters Discussed and Decisions Reached:</u>

TOPIC 1: REISSUANCES AS A RESULT OF INCORPOARTION OF FINAICIAL STATEMENTS BY REFERENCE

1. Ms. Maroney explained that some constituents have interpreted *FASB Accounting Standards Codification*™ paragraphs 855-10-50-1 and 855-10-50-4 (issued as Statement 165, *Subsequent Events,* paragraph 15) to state that an issuer would not be able to incorporate their financial statements by reference into a registration statement without revision for the date through which subsequent events are evaluated, as their disclosures would not be compliant with Topic 855. Incorporating financial statements by reference is key in facilitating timely access to the capital markets for issuers and is consistent with the SEC's integrated disclosure system, which relies on subsequently filed reports (for example, Form 10-Q and Form 8-K) to update previously filed financial statements.

2. Ms. Maroney explained that the staff considered two alternatives to address the incorporation by reference reissuance issue, as discussed below.

3. Alternative A: Amend the disclosure of the date through which subsequent events are evaluated, in both originally issued and reissued financial statements, to include non-SEC registrants only. Clarify that the current reissuance date disclosure for

non-SEC registrants would only apply to restatements, that is, correction of an error or retrospective application of U.S. GAAP.

4. Alternative B: Amend the language that refers to “reissuance” to only apply to “restatements,” that is, correction of an error or retrospective application of U.S. GAAP.

5. **Staff Recommendation**: The staff recommended Alternative A.

6. Mr. Linsmeier asked why the staff wanted to change *reissuance* to *restatements* for non-SEC registrants. Ms. Maroney explained that the term *reissuance* is not explicitly defined in U.S. GAAP or SEC literature, and the staff thinks the Board’s intention in using the word *reissuance* was to only capture restatements, including both the correction of an error and retrospective application of U.S. GAAP. The staff does not think the Board meant to capture other SEC filings.

7. Mr. Golden explained that for SEC registrants, the SEC requires disclosure of the date through which subsequent events have been evaluated. However, this has created a conflict between SEC registrant requirements and U.S. GAAP requirements. Whereas non-SEC registrants are not formally required by SEC requirements to disclose the date through which subsequent events have been evaluated, therefore a conflict does not exist between U.S. GAAP and SEC requirements and U.S. GAAP should not be amended.

8. Mr. Golden explained that the staff thinks that, in the event securities laws requires an update of an analysis of subsequent events, than the entity should not be required to disclose the date through which subsequent events have been evaluated. If securities laws do not require an update of an analysis of subsequent events, then the entity should depict the date in the financial statements and only update if financial statements have been restated or a retrospective application of U.S. GAAP.

9. Mr. Herz explained that private companies originally requested that the date through which subsequent events have been evaluated, in both original and

reissuances, be disclosed. However, the staff has explained that unintended consequences have arisen from requiring public companies to provide the disclosures, and U.S. GAAP should be amended to reflect this consequence.

10. **Board Vote:** All Board members agreed with the staff's recommendation.

TOPIC 2: ISSUE DATE FOR SUBSIDIARIES OF PUBLIC COMPANIES

11. **Staff Recommendation:** Ms. Maroney explained that implementation problems have arisen in the disclosure of the date through which subsequent events have been evaluated because of the definition of a public entity in U.S. GAAP literature on subsequent events. To alleviate confusion on the definition of a public entity, the staff suggests that in assessing the date through which subsequent events have been evaluated, (1) SEC registrants should use an issue date and (2) non-SEC registrants should use an available-to-be-issued date unless the non-SEC registrant has "a current expectation of widely distributing its financial statements to its shareholders and other financial statement users" (ASC 855-10-25-2), in which case it would use issued financial statements.

12. Mr. Golden explained that, in practice, questions arose as to whether a private subsidiary of a public entity was required to used the "issued date" or the "available to be issued date" for purposes of applying Topic 855.

13. Mr. Leisenring recommended that the staff explicitly state that this standard does not change any securities law requirements. Mr. Golden and Ms. Maroney agreed.

14. **Board Vote:** All Board members agreed with the staff recommendation.

Issue 3: An Exposure Draft

15. **Staff Recommendation:** The staff recommends that the comment period for the proposed ASU be 30 days, as the staff would like to issue a final document in the beginning of the first quarter of 2010.

16. Additionally, the staff recommends that the final ASU be effective upon issuance, as the ASU is intended to resolve issues which currently exist in practice.

17. In response to a question, Ms. Maroney explained that Statement 165 is effective for interim or annual financial periods ending after June 15, 2009.

Follow-up Items:

The staff will continue drafting a proposed Accounting Standards Codification Update for vote by written ballot.

General Announcements:
None