

MINUTES



Financial Accounting
Standards Board

To: Board Members

From: Going Concern
(Andrews, ext. 354)

Subject: Minutes of the March 31, 2010
Board Meeting: *Going Concern* **Date:** April 2, 2010

cc: Bielstein, Golden, Leisenring, Chookaszian, Posta, Klimek, Gabriele,
Proestakes, Donoghue, Worshek, Bossio, Lott, Glotzer, C. Smith,
Stoklosa, Sutay, Mechanick, MacDonald, Allen, Andrews, Finden
(GASB), Lian (IASB), FASB 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 an Accounting Standards Update or a Statement of Financial Accounting Concepts.

Topic: Going Concern

Basis for Discussion: Board Memorandum No. 9 and 10

Length of Discussion: 1:45 p.m. to 2:45 p.m.

Attendance:

Board members present: Herz, Linsmeier, Seidman, and Siegel

Board members absent: L. Smith

Staff in charge of topic: Donoghue, Proestakes, Worshek

Other staff at Board table: Golden, Andrews

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Board met to discuss issues relating to the development of a Proposed Accounting Standards Update. The Board's technical plan calls for that document to be issued in the second quarter of 2010.

Summary of Decisions Reached:

The Board discussed changes to the proposed accounting model for management's going concern assessment and whether and how to proceed with the liquidation basis of accounting portion of this project.

The Board made the following decisions about management's going concern assessment (Vote: unanimous):

1. The Board decided not to specifically define a going concern. Instead, the Board decided to require the following disclosures when management, applying commercially reasonable business judgment, is aware of conditions and events that indicate, based on current facts and circumstances, that it is reasonably foreseeable that an entity may not be able to meet its obligations as they become due without substantial disposition of assets outside the ordinary course of business, restructuring of debt, issuance of equity, externally or internally forced revisions of its operations, or similar actions.
 - a. Pertinent conditions and events giving rise to the assessment, including when such conditions and events are anticipated to occur, if reasonably estimable
 - b. The possible effects of those conditions and events
 - c. Possible discontinuance of operations
 - d. Management's evaluation of the significance of those conditions and events and any mitigating factors
 - e. Management's plans to mitigate the effects of the conditions and events, whether those plans can be effectively implemented, and the likelihood that such plans will mitigate the adverse effects.
 - f. Information about the recoverability or classification of recorded asset amounts or the amounts or classification of liabilities.

The Board decided to provide the following principles-based guidance on the adoption and application of the liquidation basis of accounting (Vote: unanimous).

1. An entity should prepare financial statements on the going concern basis unless liquidation is imminent. Liquidation is imminent if (a) a plan of liquidation has been approved by the entity's owners or (b) the plan to liquidate is being imposed by other forces and it is remote that the entity will become a going concern in the future. If liquidation is imminent, an entity's financial statements shall be prepared on a liquidation basis.
2. Liquidation basis financial statements should reflect relevant information about the value of an entity's resources and obligations in liquidation. Such financial statements should consist of a "Statement of Net Assets in

Liquidation” and a “Statement of Changes in Net Assets in Liquidation.” An entity that applies the liquidation basis of accounting should measure the items in its financial statements to reflect the actual amount of cash that the entity expects to collect or pay during the course of liquidation. This measurement should include, but is not limited to, recognition of (a) costs to dispose of assets or liabilities and (b) expense and income to be incurred through liquidation. The measurement bases and significant assumptions used should be disclosed.

General Announcements:

The Board directed the staff to draft a proposed Accounting Standards Update for vote by written ballot. The Board decided that the proposed Update will have a 60-day comment period and that the guidance should be applied prospectively.