

MINUTES



MEMORANDUM

To: Board Members
From: Jensen, x353
Subject: Minutes of the February 18, 2015,
Disclosure Framework Board Meeting
Date: February 26, 2015
cc: Sutay

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: Disclosure Framework: Entity's Decision Process and Disclosure Review—Fair Value Measurement

Basis for Discussion: FASB Memo No. 67
FASB Memo No. 67 Supplement

Length of Discussion: 2:30 p.m. to 4:30 p.m. (EST)

Attendance:

Board members present: Golden, Kroeker, Buck, Linsmeier, Schroeder, Siegel, Smith

Board members absent: N/A

Staff in charge of topic: Cappiello

Other staff at Board table: Cappiello, Proestakes, Lott, Dordik, Friend, Jensen, Floyd

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Board met to discuss issues relating to the development of an Exposure Draft addressing flexible disclosure requirements to further promote the use of discretion as well as disclosures related to fair value measurement.

The Board has not yet determined the timing of the release of the Exposure Draft.

Tentative Board Decisions:

The Board discussed how it might change disclosure requirements to further promote the use of discretion by reporting entities. The Board also discussed how some of those changes could be applied to disclosures about fair value measurements.

The Board decided the disclosure Section in a Topic:

1. Would state that an entity should provide the disclosures to the extent material **(Vote: 4 to 3)**
2. Would not include language that limits the use of discretion (for example, “An entity shall at a minimum provide...”) **(Vote: 4 to 3)**
3. Would include a reference to Topic 235, Notes to Financial Statements, and the Board would modify that Topic to provide additional guidance on applying materiality to note disclosures. That guidance would include: **(Vote: 4 to 3)**
 - a. Materiality is applied to disclosures individually and in the aggregate; therefore, some, all, or none of the requirements in a disclosure Section may be material.
 - b. A disclosure is material if it meets the U.S. Supreme Court’s description of materiality, which comes from court cases and interpretations.
 - c. Consistent with the U.S. Supreme Court’s description, qualitative and quantitative disclosures generally should be evaluated as material based on whether there is a substantial likelihood that the omitted disclosure would have been viewed by a reasonable user as having significantly altered the total mix of information made available in making a decision.
 - d. If an entity does not provide a GAAP disclosure because management has concluded the information is not material, the omission should not be considered an accounting error.

The Board decided that although materiality is a legal concept that varies by jurisdiction, the guidance would not explicitly acknowledge those variances. **(Vote: 7 to 0)**

The Board decided that when setting disclosures requirements, it would not distinguish between a minimum and expanded set of disclosures. **(Vote: 5 to 2)**

The Board decided that, in general, the objectives for disclosures within each Topic would be developed using the decision questions from the proposed concepts that are used to identify relevant disclosure requirements. Specifically, the objective for the disclosures in Topic 820, Fair Value Measurement, would be as follows: **(Vote: 7 to 0)**

1. The objective of the following disclosures is to provide users of financial statements with information useful in assessing the following:
 - a. The different ways an entity arrives at its measures of fair value, including the judgments and assumptions that the entity makes
 - b. The effects of changes in fair value on the amounts reported in financial statements
 - c. The uncertainty in the fair value measurement of assets and liabilities
 - d. How fair value measurements change from period to period.

General Announcements: None.