MINUTES

To:	Board Members
From:	Financial Statement Presentation team (Debbeler, ext. 353)
Subject:	Minutes of the February 16, 2009 Board Meeting: Financial Statement Presentation
Date:	February 18, 2010
cc:	FASB: Golden, Bielstein, Lott, Stoklosa, Proestakes, C. Smith, Posta, Chookaszian, Gabriele, Sutay, Petrone, Cafini, Cappiello, Hales, Debbeler, Jones, FASB Intranet; IASB: Leisenring, Gomez, Schmidt, Perkovich, Matabe

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 Accounting Standards Update.

Topic:	Application guidance for analysis of changes in significant asset and liability line items; definition of a remeasurement and related guidance; new subcategories for "financing arising from operating activities" and "assets and liabilities arising from equity"; statement of cash flows for entities with funds held on deposit; divergent issues; sweep issues; support for package of decisions
Basis for Discussion:	FASB Memorandum Nos. 76A, 76B, 76C, 76D, 76E, 76F, 76G / Agenda Papers 4A, 4B, 4C, 4D, 4E, 4F, 4G
Length of Discussion:	10:30am – 12:30am EST
Attendance:	
Board members present:	FASB: Herz, Linsmeier, Smith, Siegel (in Norwalk) IASB: Tweedie, Cooper, Danjou, Engström, Finnegan, Garnett, Gélard, Gomes, Kalavacherla, Leisenring, McConnell, McGregor, Smith, Yamada, Zhang (in London)
Board members absent:	Seidman (voting by proxy)

Other participants:	None
Staff in charge of topic:	Petrone
Other staff at Board table:	Teixeira, Clark, Gomez, Perkovich, Matabe (in London) Golden, Schmidt, Cappiello, Hales, Debbeler, and Jones (in Norwalk)

Summary of Decisions Reached:

At their February joint meeting, the Boards continued their deliberations of the proposals in the Discussion Paper, *Preliminary Views on Financial Statement Presentation*.

Application guidance for analysis of changes in significant asset and liability line items

The Boards addressed several implementation issues that relate to the tentative decision made in October 2009 to require an entity to present an analysis of changes in the balances of all significant asset and liability line items in the notes to financial statements (referred to herein as *analysis* or *analyses of changes*).

At the February meeting, the Boards tentatively decided that the Exposure Draft:

1. Will permit an entity to present each analysis of changes with related information in the topic-specific note disclosure. For example, an analysis of changes in an entity's property, plant, and equipment line items should be presented as part of the entity's property, plant, and equipment note. In all cases, each analysis must be accompanied by a narrative explanation of the changes.
2. Will require each analysis of changes reported in the current reporting period to include a comparative analysis of changes for the prior reporting period(s).
3. Will clarify that an entity should always disclose the reconciliations of specific items as required elsewhere in IFRSs or U.S. GAAP, notwithstanding the factors to be considered in determining whether the change in an asset or liability should be analyzed in the notes.

4. Will clarify that, when preparing a reconciliation of specific items as required elsewhere in IFRSs or U.S. GAAP, an entity should consider whether the reconciliation reflects the required components that are part of the analysis of changes.
5. Will clarify that an entity should provide disaggregated information for each component of an analysis of changes. For example, an entity cannot aggregate items that meet the definition of a remeasurement into one line item.

Definition of a remeasurement and related guidance

The Boards tentatively decided that a *remeasurement* should be defined as an amount recognized in comprehensive income that reflects the effects of a change in the net carrying amount of an asset or liability, and that is the result of:

1. A change in (or transacting at) a current price or value;
2. A change in an estimate of a current price or value; or
3. A change in any estimate or method used to measure the carrying amount of an asset or liability.

In addition, the Boards tentatively decided that the sale of ordinary inventory (including the realized income from the market-making activities of broker-dealers) should *not* be presented as a remeasurement.

New categories for "financing arising from operating activities" and for "assets and liabilities arising from equity"

In December 2009 the Boards tentatively decided to add a new category to the business section in the statements of financial position and comprehensive income, labelled *financing arising from operating activities*. It was proposed that an entity would present related cash flows in a category on the statement of cash flows labelled *operating activities and financing arising from operating activities*.

At their February joint meeting, the Boards tentatively decided that financing arising from operating activities should be included in a new subcategory in the operating category of the statements of financial position and comprehensive income. The cash flows related to those items would be presented in the operating category in the statement of cash flows. The Boards clarified that the subcategory should include all liabilities (and assets bound to the related obligation for the purpose of settling the liability) that:

1. Do not meet the definition of *financing*
2. Are initially long term
3. Have a time value of money component that is evidenced by either interest or an accretion of the liability due to the passage of time.

The Boards also tentatively decided that the debt category should include assets and liabilities that arise from transactions involving an entity's own equity (e.g., a dividend payable, a written put option on an entity's own shares, or a prepaid forward purchase contract for an entity's own shares). The Boards clarified that assets and liabilities that arise from transactions involving an entity's own equity should be presented separately from borrowing arrangements within the debt category.

Statement of cash flows for financial service entities

At their respective Board meetings in January, the FASB and the IASB considered how a financial services entity should present cash flow information in the statement of cash flows. In February, the Boards tentatively decided that the Exposure Draft:

1. Will include existing requirements about the types of cash flows that may be reported net on a statement of cash flows. However, a financial services entity will be required to present cash flows for loans made to customers and principal collections of loans gross rather than net.
2. Will require a financial services entity to present a direct method statement of cash flows.

3. Will require an entity with funds held on deposit to present cash inflows and outflows so that its statement of cash flows reflects transactions between the entity and its depositors as if they were settled by external funds.
4. Will ask respondents to the Exposure Draft who are preparers, auditors, and users of financial services entity financial statements for input on the costs and benefits of presenting cash flows in this manner for that type of entity.

Divergence issues

The Boards discussed the issues on which they have reached different tentative decisions. The FASB affirmed that its Exposure Draft:

1. Will not include a requirement to disclose net debt information in the notes to financial statements
2. Will not include minimum line item requirements for the statement of financial position
3. Will require disclosure of operating assets, liabilities, and cash flows by reportable segment.

The FASB decided to change its December 2009 tentative decision to require the presentation of remeasurement information in a separate column on the statement of comprehensive income. Instead, the FASB agreed to present that information in a separate note to the financial statements. Consequently, the Boards' respective Exposure Drafts will be the same on this issue.

The IASB affirmed that its Exposure Draft:

1. Will require presentation of net debt information as part of the analyses of changes
2. Will include minimum line item requirements for the statement of financial position
3. Will not include a requirement to disclose operating assets, liabilities, and cash flows by reportable segment.

The IASB decided to change its October 2009 tentative decision and require an entity with more than one reportable segment to present its by-nature income and expense information in a new note rather than in its segment note. The FASB affirmed its decision to require an entity with more than one reportable segment to present its by-nature information in its segment note. The IASB noted that IFRS 8, *Operating Segments*, is scheduled for a post-implementation review in 2011. As part of that review, the IASB committed to considering whether existing requirements for segment reporting should be brought into line with the amendments to *FASB Accounting Standards Codification*™ Topic 280, Segment Reporting, that the FASB will make as part of the financial statement presentation project.

The IASB also tentatively decided to retain the Discussion Paper proposal that deferred tax assets and liabilities should be classified as short-term or long-term according to the classification of the related asset or liability. That classification approach is consistent with U.S. GAAP.

Sweep issues

The Boards tentatively decided that the Exposure Draft:

1. Will include the requirements in IAS 1, *Presentation of Financial Statements*, for the statement of changes in equity.
2. Will include the general offsetting principle from IAS 1.
3. Will remove the proposal in the Discussion Paper that classification of items into sections and categories is an accounting policy. However, an entity will be required to relate its presentation of assets and liabilities (and changes in those assets and liabilities) to its business.
4. Will retain the Discussion Paper proposal that subtotals and headings for each section and category should be presented in the financial statements. Furthermore, subtotals and headings should be presented for all subcategories.

5. Will require disaggregation of similar cash flows when the nature of the cash flow and timing of the payment in relation to its recognition in profit and loss is relevant to an understanding of the entity's change in cash for the period.
6. Will not address disclosure of information about the maturities of contractual long-term assets and liabilities.

Support for package of decisions

The Boards directed the staff to draft an Exposure Draft for vote by written ballot based on the package of tentative decisions.

The Boards tentatively decided that the Exposure Draft should have a five-month comment period. The Boards expect to publish the Exposure Draft near the end of April 2010.

Follow-up Items:

None.

General Announcements:

None.