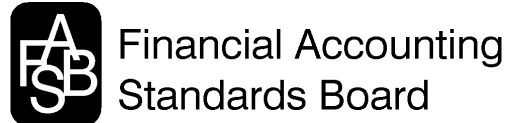


MINUTES



To: Board Members

From: AcSEC Team
(S. Kazazean, ext. 327)

Subject: Minutes of the February 26, 2003 Board Meeting **Date:** February 28, 2003

cc: Leisenring, Bielstein, Cassel, Degano, Smith, Swift, Polley, Damico, Thompson, Vernuccio (2), Gabriele (3), Sutay (4), Intranet, Noll (AICPA)

Topic: Proposed AICPA SOP *Accounting for Certain Costs and Activities Related to Property, Plant, and Equipment*

Basis for Discussion: Memorandum dated February 12, 2003

Length of Discussion: 1:00 p.m. to 2:15 p.m.

Attendance:

Board members present: FASB: Herz, Crooch, Foster, Trott, Schieneman, Schipper, and Wulff

Board members absent: None

Staff in charge of topic: Degano

Other staff at Board table: Kazazean

Outside participants: Mark Sever (AcSEC Chair), Marc Simon (AICPA), Roy Rendino (PP&E Task Force, by phone) and Dan Noll (AICPA, by phone)

MATTERS DISCUSSED, DECISIONS REACHED, AND FOLLOW-UP ACTION:

Mr. Degano introduced the outside participants and explained that the purpose of the meeting was for the Board to consider the transition for AcSEC's Proposed SOP *Accounting for Certain Costs and Activities Related to Property, Plant, and Equipment*. Mr. Degano outlined the five options previously discussed at the Board's February 12, 2003 educational session:

- a) No final SOP is issued. FASB does not add a project to its agenda.
- b) No final SOP is issued. FASB adds a narrow scope project to its agenda.
- c) No final SOP is issued. FASB adds a broad scope project to its agenda.
- d) No final SOP is issued. FASB and IASB undertake a joint project.
- e) AcSEC issues a final SOP limited to specific topics.

Mr. Sever stated that both AcSEC and the PP&E Task Force would be willing to assist the Board with the selected transition.

After considering the merits of each option, the Board decided not to object to AcSEC continuing its deliberations on a proposed SOP that would be limited to certain topics. Messrs. Schieneman, Trott, and Ms. Schipper disagreed with the Board's decision.

AcSEC's continued deliberations of the proposed SOP should continue to be based upon the three overarching principles that AcSEC previously established and should be limited to certain topics.

Overarching principles

- PP&E assets should be depreciated over their expected useful lives.
- Replacement assets and the assets replaced should not both be recognized as assets on an entity's books at the same time.
- PP&E assets should be recorded at cost.

Topics to be addressed

- Project-stage framework for accounting for PP&E costs
- Capitalization versus expensing of costs, including:
 - (a) A model for capitalization based on incremental direct costs following FAS 91 or full cost model from FAS 67
 - (b) General and administrative and overhead costs
 - (c) Costs of planned major maintenance activities
- Accounting for removal costs
- Accounting for liquidated damages.

SUMMARY FOR ACTION ALERT:

The Board met with representatives of the AICPA's Accounting Standards Executive Committee (AcSEC) to discuss whether AcSEC should continue to deliberate certain aspects of the proposed SOP, *Accounting for Certain Costs and Activities Related to Property, Plant, and Equipment*. The Board did not object to AcSEC continuing its deliberations of certain aspects of the proposed SOP.

Follow-up Items:

None

General Announcements:

None