

MINUTES



To: Board Members

From: AcSEC Team (Quiring, ext. 326)

Subject: Minutes of the AcSEC April 14, 2004 Board Meeting **Date:** April 22, 2004

cc: Leisenring, Bielstein, Petrone, L. Smith, Swift, Polley, Vernuccio, Gabriele, D. Noll (AICPA), Thompson, Sutay, Project Team, Intranet

Topic: Final clearance of the AICPA Statement of Position, *Accounting for Certain Costs and Activities Related to Property, Plant, and Equipment*, and proposed FASB Statement, *Accounting in Interim and Annual Financial Statements for Certain Costs and Activities Related to Property, Plant, and Equipment*

Basis for Discussion: Memorandum dated March 22, 2004

Length of Discussion: 1:00 p.m. to 1:30 p.m.

Attendance:

Board members present: FASB: Batavick, Crooch, Herz, Schieneman, Schipper, Seidman, Trott

IASB: Leisenring

Board members absent: None

Staff in charge of topic: L. Smith

Other staff at Board table: Quiring

Outside participants: Mark Bielstein, Chair, AcSEC; Mark Sever, Former Chair, AcSEC; Roy Rendino, PP&E Task Force Chair; Leon Mayshak, PP&E Task Force; Marc Simon, AICPA; Dan Noll, AICPA

Summary of Decisions Reached

The Board met with representatives of the AICPA's Accounting Standards Executive Committee (AcSEC) and discussed clearance of a final draft of the AICPA Statement of Position, *Accounting for Certain Costs and Activities Related to Property, Plant, and Equipment*, which, if cleared by the Board would have been issued concurrently with an FASB Statement to amend APB Opinions No. 20, *Accounting Changes*, and No. 28, *Interim Financial Reporting*, and FASB Statements No. 51, *Financial Reporting by Cable Television Companies*, and No. 67, *Accounting for Costs and Initial Rental Operations of Real Estate Projects*, and rescind FASB Statement No. 73, *Reporting a Change in Accounting for Railroad Track Structures*. The Board objected to clearance of the SOP.

The Board removed the project from its agenda and no further Board discussion is planned. The Board indicated that the work performed by AcSEC would be retained for use in connection with any future convergence efforts with the IASB relating to property, plant, and equipment. Furthermore, some Board members suggested that the FASB staff should review the SOP to identify any specific issues that may be appropriate to address through FASB Staff Positions.

Objective of Meeting

The objective of the meeting was to discuss clearance of a final draft of the AICPA Statement of Position, *Accounting for Certain Costs and Activities Related to Property, Plant, and Equipment*, and proposed FASB Statement, *Accounting in Interim and Annual Financial Statements for Certain Costs and Activities Related to Property, Plant, and Equipment*.

Matters Discussed and Decisions Reached

Mr. Sever opened the discussion and said that the purpose of the SOP is to reduce the diversity in practice resulting from a lack of authoritative guidance on the subject. He said that although the SOP does not converge completely with the International Accounting Standards Board (IASB) literature, it provides a better starting point for convergence efforts than does existing guidance.

Mr. Smith indicated that the staff had previously circulated a memorandum to the Board in which the staff recommended the Board object to the SOP because of the significant latitude provided in the designation of components. Mr. Smith further observed the staff's view that this latitude would make it difficult to compare certain financial information of different companies.

The Board objected to clearance of the SOP. The following reasons were identified as the overriding factors as to why the Board objected:

- The timing of the SOP, given the current environment and demands already placed on the financial reporting system. Several Board members said that the benefits resulting from the SOP would not outweigh the costs.
- Lack of convergence with existing IASB guidance. Board members said that although international convergence is not a criterion for clearance of AICPA proposals, it would be highly desirable for such a far-reaching change in accounting to result in greater convergence than what is achieved through the SOP.
- Disagreements with particular requirements of the SOP. Several Board members disagreed with the SOP provision that would not allow an entity to capitalize a replacement unless the replaced item was previously separately designated as a component. Mr. Schieneman said that permitting the capitalization of certain major overhauls that would otherwise be expensed under the provisions of the SOP would enhance the usefulness of the accounting information related to the improved asset. Ms. Schipper said that the latitude allowed in defining components would significantly decrease comparability.

The Board removed the project from its agenda and no further Board discussion is planned. The Board indicated that the work performed by AcSEC would be retained for use in connection with any future convergence efforts with the IASB relating to property, plant, and equipment. Furthermore, some Board members

suggested the FASB staff should review the SOP to identify any specific issues that may be appropriate to address through FASB Staff Positions.

Follow-up Items

The objective of the meeting was met.

General Announcements

None.