

MINUTES



To: Board Members

From: Liabilities and Equity Team—Ham (ext. 443)

Subject: Minutes of the October 10, 2007 Board Meeting: Liabilities and Equity—
Classification of Dividends Payable and Comment Period

Date: October 11, 2007

cc: Leisenring, Bielstein, Golden, MacDonald, Bossio, Posta, J. Johnson, Financial Instruments Team, Financial Statement Presentation Team, Liabilities and Equity Team, Gabriele, Chookaszian, Klimek, Allen, Sutay, Glotzer, Finden (GASB), Gavin Francis (IASB), Michael Thomas (IASB), Caron Hughes (IASB), LiLi Lian (IASB), Ian Hague (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 a final Statement, Interpretation, or FASB Staff Position.

Topics: Liabilities and Equity: Classification of Dividends Payable and Comment Period

Basis for Discussion: Board Memorandum No. 60

Length of Discussion: 9:00 to 9:15 a.m.

Attendance:

Board members present: FASB: Batavick, Crooch, Linsmeier, Seidman, Smith, and Young

IASB: Leisenring

Board members absent: Herz

Staff in charge of topic: Switter

Other staff at Board table: Bielstein, Lott, Stevens, and Ham

Summary of Decisions Reached:

The Board decided to expose the Preliminary Views on liabilities and equity for a six-month comment period. Additionally, the Board decided to solicit feedback about the characteristics of a dividend payable in the Preliminary Views.

Objective of Meeting:

The objectives of the meeting were for the Board to decide (1) how to proceed in determining the classification of a dividend payable and (2) the comment period for the Preliminary Views. The objectives were met.

Matters Discussed and Decisions Reached:

1. Ms. Switter opened the meeting by discussing the classification of dividends payable. She noted that under both the ownership and ownership-settlement approaches, direct ownership instruments with required dividend payments are separated into liability and equity components. She further noted that at an education session in August 2007, the Board discussed if dividends payable related to direct ownership instruments should be classified as equity. Ms. Switter explained that the staff does not believe that the classification of dividends payable is an issue that needs to be resolved prior to issuing the Preliminary Views for comment. Ms. Switter noted that the staff recommends the Board include a question in the Preliminary Views to accumulate information about the nature and the characteristics of a dividend payable to help determine the proper classification.

2. All six Board members (Batavick, Crooch, Linsmeier, Seidman, Smith, and Young) supported the staff recommendation. Mr. Batavick noted that he did not want this issue to slow the progression of the project, and the other Board members agreed. Mr. Smith noted that the staff should not wait until comment letters are received to address this issue. He suggested contacting constituents during the comment period to gather information about the characteristics of a dividend payable.

3. Next, Ms. Switter addressed the comment period for the Preliminary Views. Ms. Switter stated that the staff recommends a six-month comment period. She noted that the staff believes the facts and circumstances in this project warrant a comment period longer than the usual 120 days. She further stated that in developing the staff recommendation, certain issues were considered, such as the complexity of the issues described in the document, the interaction with the financial statement presentation project, and the IASB's projected time line for issuance. All six Board members (Batavick, Crooch, Linsmeier, Seidman, Smith, and Young) agreed with the staff's recommendation.

4. Finally, Ms. Switter stated that the Board had completed the scheduled deliberations for the current phase of the liabilities and equity project. The Board directed the staff to begin the balloting process for the Preliminary Views.

Follow-Up Items:

5. The Board directed the staff to conduct research regarding the classification of dividends payable during the comment period for the Preliminary Views.

General Announcements:

None.