

MINUTES



To: Board Members
From: Staniszewski (ext. 445)
Subject: Minutes of the December 19, 2007 Board Meeting—Classifying and Accounting for Depreciable Assets as Held for Sale When an Equity Method Investment is Obtained (FSP FAS 144-c) **Date:** January 10, 2008
cc: Cosper, Golden, Bielstein, MacDonald, Allen, Leisenring, Leverenz, Posta, Chookaszian, Gabriele, Staniszewski, FASB Intranet, Landry (IASB)

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 or Interpretation.

Topic: Proposed FSP FAS 144-c, “Classifying and Accounting for Depreciable Assets as Held-for-Sale When an Equity Method Investment is Obtained”

Basis for Discussion: Memorandum dated November 30, 2007

Length of Discussion: 9:10 a.m. to 9:35 a.m.

Attendance:

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

Board members absent: None

Staff in charge of topic: Leverenz

Other staff at Board table: Staniszewski, Golden, Cosper

Outside participants: None

Summary of Decisions Reached

The Board removed the proposed FSP FAS 144-c, *Accounting for Depreciable Assets Classified as Held-for-Sale When an Equity Method Investment is Obtained*, from the agenda.

Objective of Meeting:

The objective of the meeting was for the Board to discuss (a) the comment letters received on the proposed FSP, (b) the issues that were raised by the respondents, and (c) whether to move forward to the ballot process or to remove the project from the Board's agenda. The objective of the meeting was met.

Matters Discussed and Decisions Reached:

1. **Staff Recommendation:** The staff recommendation was to remove of the proposed FSP from the Board's agenda.
2. **Board Vote:** The Board voted unanimously to remove the proposed FSP from the agenda.
3. **Board Comments:** Mr. Smith asked how future inquiries would be answered regarding the transactions that were discussed within the proposed FSP. Mr. Golden stated that the difference of opinions would go away under FASB Statement No. 160 *Noncontrolling Interests in Consolidated Financial Statements*. That is, there would be a new basis event, and depreciation would cease.
4. Mr. Young asked what type of disclosures were required after the sale under APB Opinion No. 18, *The Equity method of Accounting for Investments in Common Stock*. Mr. Golden stated that the disclosures regarding the basis difference that may exist would not be disclosed. Mr. Linsmeier commented that it does not seem appropriate to consider continuing depreciation of an asset held for sale just because significant influence is expected to be obtained in the future. Rather the issue being raised seems moreso to be whether constituents are comfortable with stopping depreciation for assets held for sale, which would require a wholesale reconsideration of Statement 144 rather than an interpretation applicable only to certain transfers where the transferor may retain significant influence over the transferred asset. The argument

provided by constituents that the accounting basis of the asset should be kept similar to the tax basis does not make any sense; this has never been an objective of financial reporting. Mr. Golden stated that the problem is a result of the volatility in the income statement, and by continuing to depreciate, an entity could smooth the effects of the transaction. Mr. Golden stated that the original issue came to the Board would be alleviated under Statement 160.

5. Mr. Smith stated that he does not agree with the assessment to continue depreciating an asset when it is held for sale, even if a significant influence is obtained. However, he stated that he would not object to removing the project from the Board's agenda if people feel comfortable with their assessments under Statement 160. Mr. Young commented that it may be appropriate to at least require a disclosure of the depreciation that was ceased when the asset was classified as held for sale.
6. The Board members decided to remove the project from the Board's agenda.

Follow-up Items:

7. None

General Announcements:

8. None