

MINUTES



Financial Accounting
Standards Board

To: Board Members

From: Performance Reporting Team
(Cronin, Ext. 443)

Subject: Minutes of the December 7, 2005 Performance Reporting Board Meeting **Date:** December 13, 2005

cc: Bielstein, Smith, Petrone, Leisenring, Project Team, Lott, Bullen, T. Johnson, Mahoney, Gabriele, and Sutay; Swift and Polley (FASAC); Bean and Patton (GASB); FASB Intranet; and via email: Upton, Hickey, Buchanan, and Barker (IASB); Suzuki (ASBJ)

Topic: Segment A Issues

Basis for Discussion: Memorandum No. 1 dated November 21, 2005

Length of Discussion: 9:30 a.m. to 10:00 a.m.

Attendance:

Board members present:	FASB: Herz, Schipper, Batavick, Crooch, Seidman, Young, and Trott IASB: Leisenring
Staff in charge of topic:	Sullivan
Other staff at Board table:	Bielstein, Bossio, Lusniak, Kawanishi, Cronin, and Duke
Outside participants:	IASB: Buchanan, Barker

Summary of Decisions Reached:

The Board decided not to issue an Exposure Draft (ED) on Segment A decisions at this time. Instead, the Board will continue work on a preliminary views document which will incorporate decisions reached in both Segment A and Segment B.

Objectives of Meeting:

The meeting's objective was for the Board to reconsider whether to issue an ED on the decisions reached in Segment A given the decisions made by the IASB at its November 16, 2005, Board meeting.

Matters Discussed and Decisions Reached:

1. Ms. Sullivan stated that, initially, both the IASB and the FASB had decided to issue an ED that would include all decisions reached by both Boards in Segment A of the project. For the FASB, those decisions represented: (a) a codification of required financial statements from the Concepts Statements into authoritative GAAP, (b) required comparative periods, and (c) an amendment to FASB Statement No. 130, *Reporting Comprehensive Income*, that would remove the treatment alternatives for display and require that only a single statement of earnings and comprehensive income be presented. With respect to the removal of the treatment alternatives under Statement 130, the FASB Board expressed that moving together with the IASB on this matter would not only represent a significant improvement to U.S. standards but would also achieve an important goal for convergence. At its November Board meeting, the IASB decided to move forward with an ED on Segment A issues. However, rather than requiring a single statement of earnings and comprehensive income, the IASB decided to encourage a single statement but would permit a two statement approach, which is similar to one of the treatment alternatives already included in Statement 130.

2. Ms. Sullivan asked the Board to decide whether to issue an ED on Segment A issues alone, and if so, whether it would still permit a two statement approach as contained in Statement 130. Ms. Sullivan stated that the staff has developed four alternatives for the Board to consider. Alternative 1 proposes to proceed with an ED, which is similar to the IASB's in that it would include all of the decisions that the Board

has reached with regards to Segment A; however, it would still permit a two statement approach to presenting the statement of earnings and comprehensive income. Alternative 2 would proceed with an ED on Segment A without any revisions to Statement 130, thereby permitting all three of the current treatment alternatives for display. Alternative 3 would proceed with an ED as planned including the requirement of a single statement approach. Alternative 4 proposes to do nothing at this time and incorporate all of the decisions reached in Segment A into the work to be performed on Segment B.

3. Ms. Sullivan noted that all issues except for the movement to a single statement of earnings and comprehensive income would not represent significant changes to current practice. The staff maintains that the heart of the Segment A decisions for the FASB is the requirement of a single statement of earnings and comprehensive income, and the staff does not support any decision that will not accomplish that goal.

4. Messrs. Batavick, Crooch, Trott, Herz, and Ms. Seidman all support Alternative 4. Mr. Batavick stated that combining Segment A and Segment B would result in a more complete and cohesive package of changes to be exposed for public comment. Ms. Seidman agreed and contended that including a requirement to present a single statement of earnings and comprehensive income as a part of an overall document on performance reporting will be well received by constituents and allow them to provide better feedback in a more concentrated period of time. She also noted that a decision to issue an ED on this one issue will likely take time away from the Board's ability to address other critical enhancements in the financial reporting package. Mr. Crooch stated that he will not support any approach that proposes a treatment alternative other than presentation of a single statement of earnings and comprehensive income.

5. Mr. Young and Ms. Schipper stated their support for Alternative 3. Mr. Young cited an immediate need to eliminate the statement of changes in equity option under Statement 130 and believes that an effort to do so would benefit users in the investment community. He concluded that both Alternatives 1 and 3 would represent significant improvement to financial reporting but noted his preference for Alternative 3 as it would move directly to a single statement approach.

6. Ms. Schipper asserted the strong conceptual basis for Alternative 3 and noted that it would simplify the application of existing literature by removing a treatment alternative in presentation. She contended that this approach would not be a distracter because all of the arguments supporting a single statement can be found in the original Statement 130 ED as well as within the basis for conclusions and the dissent to Statement 130. Mr. Trott disagreed and noted that while a distracter will not come as a result of doing the ED, it will instead arise in the redeliberations.

7. Mr. Leisenring noted that it is incongruous to state that a move to Alternative 1 is too small of a change when it will affect nearly everyone's financial reporting. Ms. Schipper asserted that this is not a costly change as it does not require new information systems or an expansion of auditor or preparer expertise. Instead, it merely requires typesetting and reconfiguration of the page's appearance.

Follow-up Items:

None.

General Announcements:

None.