MINUTES

Financial Accounting Standards Board

To:	Board Members		
From:	Reager (ext. 393)		
Subject:	FSP FAS 144-d, Amending the Criteria for Reporting a Discontinued Operation	**Date:**	May 21, 2008
cc:	Golden, Bielstein, MacDonald, Leisenring, Lott, Cosper, Leverenz, Petrone, Kawanishi, Reager, Posta, Chookaszian, Gabriele, Klimek, Allen, 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 FSP.

Topic:	FSP FAS 144-d, Amending the Criteria for Reporting a Discontinued Operation
Basis for Discussion:	Board Memorandum 3
Length of Discussion:	10:23 a.m. to 10:59 a.m.

Attendance:

Board members present:	FASB: Herz, Batavick, Crooch, Linsmeier, Seidman, and Smith
Staff in charge of topic:	Leverenz
Other staff at Board table:	Golden, Cosper, Kawanishi, and Reager
Outside participants:	None

Summary of Decisions Reached:

The Board tentatively agreed to the following converged definition of *discontinued operations*:

> A component of an entity that has been (or will be) disposed of and meets the definition of an operating segment under FASB Statement No. 131, *Disclosures about Segments of an Enterprise and Related Information,* would be reported as a discontinued operation on the face of the financial statements.

The Board also decided to include newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition in the above definition of *discontinued operations*. The Board also supported clarifying that the operating segment criterion is a classification criterion and not a measurement criterion.

To reflect the noncontrolling interests guidance in FASB Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements*, the Board decided to revise the tentative disclosure requirements for all components of an entity that have been (or will be) disposed of, including those reported as a discontinued operation. The following are the revised additional disclosure requirements for all components of an entity that have been (or will be) disposed of, including those reported as a discontinued operation:

1. The major classes of revenues and expenses, including impairments, interest, depreciation and amortization~~, and minority interest~~
2. If a parent has one or more less-than-wholly-owned subsidiaries, net income or loss attributable to the parent
3. The major classes of cash flows (operating, investing, and financing)
4. The major classes of assets and liabilities
5. The nature of the disposal activities and the use of the proceeds from the disposal activities.

The Board felt further discussion was necessary to decide whether to include the proposed IASB Board disclosure exemption for newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition. It was unclear to the Board how this exemption would interact with FASB Statement No. 141 (revised 2007), *Business Combinations,* disclosure requirements; therefore, the Board directed the staff to perform additional research on this subject.

The Board decided that the amendments to FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets,* related to discontinued operations should be effective for financial statements issued for fiscal years beginning after December 15, 2009, and interim periods within those years. Earlier adoption would be permitted. The Board also decided that the amendments to Statement 144 related to discontinued operations should be applied retrospectively to all periods presented. The Board supported a 120-day comment period for the proposed FSP. The Board will further discuss the IASB Board disclosure exemption for newly acquired subsidiaries and other potential issues at a future Board meeting.

Objective of Meeting:

The purpose of the meeting was to provide the Board with the project background, confirm tentative decisions made to date by the Board, discuss the remaining issues that need to be addressed, and ask for permission from the Board to issue a proposed FSP. The objective of the meeting was met.

Matters Discussed and Decisions Reached:

Issue 1: Whether the Board continues to agree with the tentative decisions reached at previous Board meetings and whether tentative decisions should be adjusted to reflect the noncontrolling interests guidance in Statement 160.

1. Mr. Leverenz stated that last year, the FASB and IASB Boards tentatively agreed to a converged definition of a discontinued operation. The Boards tentatively agreed to the

disclosure requirements for all components of an entity that have been (or will be) disposed of, including those reported as a discontinued operation. The Boards also agreed to address this project as a joint project separately from the financial statement presentation project.

2. Mr. Leverenz explained that since the Board's tentative decisions were reached, Statement 160 was issued in December 2007 which requires changes to the proposed disclosure requirements for all components of entity that have been (or will be) disposed of, including those reported as a discontinued operation, to reflect the noncontrolling interests guidance in Statement 160.

Issue 1 Staff Recommendation

3. Mr. Leverenz stated that the staff recommends updating the Board's tentatively agreed to decisions for the changes to the proposed disclosure requirements for all components of an entity that have been (or will be) disposed of, including those reported as a discontinued operation, to reflect the noncontrolling interests guidance in Statement 160.

Issue 1 Board Vote

4. The Board voted unanimously in favor of updating the Board's tentatively agreed to decisions for the changes to the proposed disclosure requirements for all components of an entity that have been (or will be) disposed of, including those reported as a discontinued operation, to reflect the noncontrolling interests guidance in Statement 160.

Issue 2: Whether the Board agrees to include a question in the Notice for Recipients in the proposed FSP asking for input related to calculating and disclosing income tax expense or benefit to discontinued components of an entity within continuing operations.

5. Mr. Leverenz stated that the question has been raised as to why income tax is not included in the proposed disclosure requirements relating to components of an entity that have been (or will be) disposed, but are not reported as a discontinued operation.

Issue 2 Staff Recommendation

6. Mr. Leverenz stated that the staff recommends including a question in the Notice for Recipients in the proposed FSP asking if recipients believe it is beneficial to require income tax expense or benefit to be calculated and disclosed for discontinued components of an entity within continuing operations.

Issue 2 Board Vote

7. The Board voted in favor of including a question in the Notice for Recipients in the proposed FSP asking for input related to calculating and disclosing the income tax expense or benefit of discontinued components of an entity within continuing operations. Four Board members (Herz, Crooch, Linsmeier, and Young) were in favor of asking the question and three Board members (Batavick, Seidman, and Smith) were not in favor of asking the question.

Issue 2 Board Comments

8. Ms. Seidman asked if the question being asked is if the disclosures for a discontinued component of an entity which is not an operating segment should include tax effects. Mr. Leverenz said that was the question being asked. Mr. Batavick asked if the inclusion of the tax effects in the disclosures for a discontinued component of an entity which is not an operating segment would affect FASB Statement No. 109, *Accounting for Income Taxes*.

9. Mr. Linsmeier asked why an inclusion of the tax effect in the disclosures for a discontinued component of an entity which is not an operating segment would effect Statement 109 when under current guidance the tax effects of a discontinued component of an entity are available. Ms. Cosper explained that Statement 109 discusses how to allocate income tax. Mr. Herz stated that Statement 109 discusses the ordering approach to determine income tax which could be affected because under the tentative decisions reached to date, a discontinued component of an entity which is not an operating segment would be included in continuing operations rather than discontinued operations as is done under current practice.

10. Mr. Leverenz stated that if the tax effects of a discontinued component of an entity which is not an operating segment are disclosed, a discontinued component of an entity which is not an operating segment would have to be separated from the rest of continued operations for the purposes of intraperiod tax allocation. Ms. Seidman agreed, but said that there is a difference between the way intraperiod tax allocation would have to be done for accounting and disclosure purposes.

11. Mr. Smith stated that one of the reasons in the financial statement presentation project for eliminating intraperiod tax allocation is the arbitrariness of intraperiod tax allocation. Mr. Smith said that he did not think it is appropriate to include a disclosure with the tax effects of a discontinued component of an entity that is not an operating segment. Mr. Smith also said that he did not think it was necessary to include a question in the Notice for Recipients asking if it was appropriate. Mr. Batavick and Ms. Seidman agreed with Mr. Smith. Ms. Seidman stated that she could not think of any other disclosure relating to the tax effects of something else in continuing operations.

12. Mr. Herz stated that the reasoning for including a disclosure of the tax effects of a discontinued component of an entity that is not an operating segment is to not have users lose any information about discontinued operations that they currently have available.

13. Mr. Linsmeier stated that he would like to ask the question in the Notice for Recipients because users are suggesting that they would like to have the information of the tax effects of a discontinued component of an entity that is not an operating segment. Mr. Linsmeier said that he has also heard from users that they are in favor of intraperiod tax allocation.

14. Mr. Herz stated that Mr. Young (who was not present at the Board meeting) would prefer to include the tax effects of a discontinued component of an entity that is not an operating segment in the disclosure requirements. Mr. Herz said that Mr. Young would also approve asking the question in the Notice for Recipients.

15. Mr. Herz and Mr. Crooch stated that they approved asking the question in the Notice for Recipients.

Issue 3: Whether the Board agrees with the clarification that the operating segment criterion is a classification criterion and not a measurement criterion.

16. Mr. Leverenz stated that the IASB Board wanted to clarify that the operating segment criterion for reporting a discontinued operation is a classification criterion and not a measurement criterion. Mr. Leverenz said that most amounts presented in the disclosures would be accounted for based on applicable guidance versus in the segment footnote where the amounts presented are the segment amounts reported to the chief operating decision maker. Therefore, a discontinued component that is an operating segment could have different amounts reported in the disclosures discussed and the segment footnote.

Issue 3 Board Vote

17. The Board voted unanimously in favor of the clarification that the operating segment criterion is a classification criterion and not a measurement criterion. That is, amounts presented on the face of the financial statements or in the related note disclosures should be accounted for based on the applicable guidance rather than the amounts regularly provided to the chief operating decision maker.

Issue 3 Board Comments

18. Mr. Linsmeier stated that he thought it needs to be clearer that the applicable guidance referred to is the guidance for presentation on the face of the financial statements.

Issue 4: Whether the Board wants to include the disclosure exemption for newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition.

19. Mr. Leverenz stated that the IASB Board agreed that the disclosure requirements should not be required for components of an entity that are newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition. He said that this is consistent with current IFRS 5 guidance because the Board feels in this situation it would require an entity to have to obtain significantly more information.

Issue 4 Board Vote

20. The Board did not vote on this issue.

Issue 4 Board Comments

21. Ms. Seidman asked if this exemption applies to a subsidiary regardless of whether it is a component of an entity that is or is not an operating segment. Mr. Leverenz explained that this exemption is consistent with the IASB's current guidance and applies to all newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition.

22. Mr. Linsmeier stated that he would like to converge on this issue, but he did not understand why this exemption was in place. Mr. Golden asked if there was a concern about access to the information. Mr. Smith said that companies should have access to the information. Mr. Leverenz stated that the reason for this exemption was consistency and that currently the IASB has an exemption for all newly acquired subsidiaries from the disclosure criteria.

Issue 5: Whether the Board wants to provide specific income statement presentation guidance for newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition by either including these subsidiaries in the revised definition of a discontinued operation or these subsidiaries' profit or loss reported as a single amount in profit or loss from continuing operations.

23. Mr. Leverenz stated that comments have been raised related to income statement presentation for these newly acquired subsidiaries that do not meet the revised definition of a discontinued operation. He said that consistent with the decision to exclude the disclosure requirements for these newly acquired subsidiaries, there is a view that profit or loss related to these subsidiaries should be reported as a single amount in profit or loss from continuing operations. Mr. Leverenz said that there is also a view to revise the discontinued operation definition to include newly acquired subsidiaries that meet the criteria to be classified as held for sale which would result in all of these subsidiaries being reported as a single amount in profit or loss from discontinued operations.

Issue 5 Board Vote

24. The Board voted in favor of including newly acquired subsidiaries that meet the criteria to be classified as held for on sale on acquisition in a revised definition of a discontinued operation. Mr. Herz, Mr. Batavick, Mr. Linsmeier, and Ms. Seidman supported including newly acquired subsidiaries that meet the criteria to be classified as held for on sale on acquisition in a revised definition of a discontinued operation.

Issue 5 Board Comments

25. Mr. Linsmeier asked if there was any consideration by the IASB Board to make the definition of discontinued operations include newly acquired subsidiaries. Mr. Kawanishi said that this issue came up after the IASB Board meeting during the pre-balloting process. He said that there are two views on the treatment of newly acquired subsidiaries on the face of the income statement. Mr. Kawanishi stated that one view is to amend the discontinued operations definition to include newly acquired subsidiaries. He said another view is to do include newly acquired subsidiaries within the continuing operations segment by segregating it into one line item, but there would be some tax issues such as whether the one line item should be shown net of tax. Mr. Kawanishi explained that the IASB has not yet discussed this at their Board meeting.

26. Mr. Golden said that he thinks newly acquired subsidiaries should be included in discontinued operations. Ms. Seidman, Mr. Batavick, Mr. Herz, and Mr. Linsmeier agreed with Mr. Golden.

27. Mr. Batavick asked if the IASB Board would be revisiting the disclosure exemption if the IASB Board agreed that newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition would be included as part of the definition of a discontinued operation.

28. Mr. Linsmeier said that the IASB thought process might be that if you have the newly acquired subsidiaries included on the face of the financial statements in discontinued operations it might not be necessary to disclose anything because the newly acquired subsidiaries were never a part of your continuing operations.

29. Mr. Golden said that there might be an issue with pro forma requirements in Statement 141(R) where you have to show the effects of a purchase as if it happened at the beginning of the year. Mr. Golden said that he understands why the IASB would want a disclosure exemption for newly acquired subsidiaries.

30. Ms. Seidman asked if there should be a scope exception from Statement 141(R) disclosures for newly acquired subsidiaries. Ms. Seidman said that you would not be presenting all of the operations of that subsidiary in each line item that is affected. Mr. Linsmeier said that it might be useful for the staff to look at how this might interact with Statement 141(R) disclosures. Mr. Linsmeier also said that this issue should be brought up to the IASB.

Issue 6: Whether the Board agrees that the amendments to Statement 144 related to discontinued operations should be effective for financial statements issued for fiscal years beginning after December 15, 2009, and interim periods within those fiscal years with earlier adoption permitted. Additionally, whether the Board agrees that the amendments to Statement 144 related to discontinued operations should be applied retrospectively to all periods presented.

Issue 6 Staff Recommendation

31. Mr. Leverenz stated that the staff recommends that the proposed FSP should be effective for financial statements issued for fiscal years beginning after December 15, 2009 with early application permitted. He said that the staff believes this alternative would provide constituents with enough time to prepare for implementation and would likely correspond with the IASB's effective date with earlier application permitted. Mr. Leverenz stated that currently, the IASB is projecting a final document to be issued in January 2009. He also said that if the Board decides on retrospective application, earlier application could prevent constituents from having to classify a discontinued component of an entity into discontinued operations in one period and then reclassify the same discontinued component of an entity back out of discontinued operations once the proposed FSP is effective.

32. Mr. Leverenz stated that the staff recommends the proposed FSP should be applied retrospectively to all periods presented. He said that the staff notes that if the Board was to require a form of transition other than retrospective, that transition could lead preparers to report discontinued operations under two different sets of criteria and, therefore, distort the trend of earnings reported for discontinued operations depending on the period in which the component of an entity was determined to be designated as a discontinued operation.

Issue 6 Board Vote

33. The Board voted in favor of making the amendments to Statement 144 related to discontinued operations effective for financial statements issued for fiscal years beginning after December 15, 2009, and interim periods within those fiscal years with earlier adoption permitted. Additionally, the Board voted in favor of applying the amendments to Statement 144 related to discontinued operations retrospectively to all periods presented. Five Board members (Herz, Batavick, Crooch, Seidman, and Smith) were in favor of the proposed effective date and transition for amendments to Statement 144 related to discontinued operations and two Board members (Linsmeier and Young) were not in favor of the proposed effective date and transition.

Issue 6 Board Comments

34. Mr. Linsmeier stated that he did not understand why 2008 was not a viable effective date. Under current Statement 144 guidance, issuers have to prepare information related to discontinued operations and put it on the face of the financial statements. He said that if Statement 144 related to discontinued operations is amended, the same information that must be prepared for some discontinued components of an entity that are not operating segments will still have to be collected, but the information will now be placed in disclosures. He thinks that the complications of putting discontinued components of an entity information on the financial statements in discontinued operations and then reversing that information later retrospectively could be avoided by earlier application. Mr. Linsmeier stated that convergence with the IASB on the transition date of this issue is not as important because the issue and changes are more relevant in the United States while the costs of transition on this issue are less in the United States.

35. Mr. Golden asked if convergence on this issue was important to the Board. Ms. Cosper said the Board should keep in mind that the IASB Board planned on issuing the amendment to IFRS 5 in January of 2009 instead of December of 2008 which will adjust the IASB's deliberation timing. Mr. Linsmeier said that convergence on this issue was important, but convergence on the transition date was not as important. Ms. Seidman felt that convergence on the transition and effective date was important and early adoption should be permitted. Mr. Batavick felt it was important to leave open the possibility that there would be an issue that needed to be addressed during redeliberations. Mr. Batavick and Ms. Seidman said they did not feel comfortable putting out final standards in the fourth quarter that are effective January 1.

Issue 7: Whether the Board agrees with a 60-day comment period for the proposed FSP.

Issue 7 Staff Recommendation

36. Mr. Leverenz said that since this project on discontinued operations is conducted as a joint project with the IASB, the staff recommends the project plan for the proposed FSP coincide with the project plan for the Exposure Draft to amend IFRS 5. At its April 2008 Board meeting, the IASB decided on a 120-day comment period for the Exposure Draft to amend IFRS 5, based on its due process requirements. The staff recommends that the comment period for the proposed FSP be 60 days, which would allow redeliberations by both Boards to occur during a similar timeframe.

Issue 7 Board Vote

37. The Board members present all voted in favor of a 120-day comment period for the proposed FSP.

Issue 7 Board Comments

38. Mr. Golden said that the comment period must be at least thirty days, but other than that, the Board could adjust the comment period as they felt was appropriate. Ms. Cosper said the Exposure Draft would likely be issued in July. Ms. Seidman stated that she would prefer to extend the comment period so that it did not end in the summer. Mr. Golden said that it should not be a problem to have a 120-day comment

period. Mr. Batavick, Mr. Herz, and Ms. Seidman said they agreed with a 120-day comment period.

Follow-up Items:

None.

General Announcements:

None.