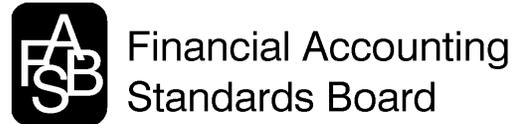


MINUTES



To: Board Members

From: Financial Statement Presentation Team (Milne, ext. 393)

Subject: Minutes of the September 21, 2009 informational Board Meeting: Results of two research projects on Financial Statement Presentation proposals

Date: October 20, 2009

cc: FASB: Golden, Bielstein, Lott, Stoklosa, Proestakes, Smith, Posta, Chookaszian, Klimek, Gabriele, Sutay, Petrone, Cafini, Cappiello, Milne, Debbler, FASB Intranet; IASB: Gomez, Schmidt, Perkovich

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 Accounting Standards Update.

<u>Topic:</u>	Financial Statement Presentation
<u>Basis for Discussion:</u>	FASB Memorandum #66, 66A, 66B
<u>Length of Discussion:</u>	9:15 a.m. to 11:00 a.m. (Eastern)
<u>Attendance:</u>	
Board members present:	FASB: Herz, Linsmeier, Seidman, Smith, and Siegel
Board members absent:	None
Staff in charge of topic:	Cafini and Petrone
Outside presenters:	Bloomfield
Other staff at Board table:	Golden, Cappiello, Schmidt, Hales, Smith, Milne, and Debbeler

Summary of Decisions Reached

The Board held an informational meeting to discuss the findings of two research projects designed to test the proposals in the October 2008 Discussion Paper, *Preliminary Views on Financial Statement Presentation*.

1. *FASRI experiment*. A representative of the FASB's Financial Accounting Standards Research Initiative (FASRI) reported on the results of the experiment that FASRI conducted to examine credit analyst reactions to certain changes proposed in the Discussion Paper.
2. *Analyst portion of the field test*. The staff reported on the results of the field test of the proposals in the Discussion Paper.

Objective of Meeting:

The objectives of this meeting were to discuss (1) the FASRI experiment and (2) the analyst portion of the field test.

The objectives of the meeting were met.

Matters Discussed:

Issue 1—FASRI experiment

1. Professor Robert Bloomfield, from Cornell University and the director of FASRI, presented the results from FASRI's study of certain proposals in the October 2008 Discussion Paper, *Preliminary Views on Financial Statement Presentation*. An experiment was conducted to examine credit analyst reactions to the discussion paper proposals of cohesive classification by activity, disaggregation by function and nature, and liquidity and financial flexibility assessments.
2. Professor Bloomfield stated that the overall findings of the study reported that placing related information about classification and disaggregation together improves analysts' forecasts and judgments. Further, presenting that information together on the face of the financial statements improves some judgment and also

improves analysts' perceptions of transparency. Professor Bloomfield commented that disaggregation on the face, with classification in the notes, is only modestly effective and classification on the face and disaggregation in the notes is counterproductive.

3. Mr. Smith expressed his interest in FASRI doing more experimental testing similar to this experiment. Other Board members expressed agreement with Mr. Smith.

Issue 2—Analyst portion of field test

4. Ms. Cafini explained the background of the field test conducted by FASB staff and provided some of the key findings of the test. Ms. Cafini stated that increased disaggregation of line items was cited by analyst respondents as the single most useful aspect of the proposed presentation model. After disaggregation, the analysts ranked the separation of business and financing activities, the direct method presentation of cash flows, and the reconciliation schedule to be the most useful aspects of the proposal.

Board comments:

5. Ms. Seidman stated that this was the best, most thorough field testing done at the FASB. She is of the view that this should set the standard for all field testing for future projects.
6. Mr. Linsmeier said that some of the field test goals were not met because of uncontrollable implications that the staff faced. He acknowledged that the information is useful but questioned whether it was a cost beneficial exercise. He expressed a belief that, when possible, conducting a controlled experiment provides more definitive answers to research questions than is possible with a survey.
7. Mr. Herz expressed that in his view the field testing was beneficial.
8. Ms. Cafini stated that she believed the field test was useful and provided the team with a tremendous amount of information.