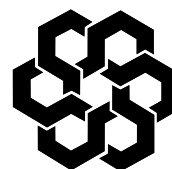




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*This document is provided as a convenience to observers at the IASB and FASB Joint board meeting, to assist them in following the Boards' discussion. It does not represent an official position of the IASB or the FASB. Board positions are set out in Standards (IASB) or Statements or other pronouncements (FASB).*

*Note: These notes are based on the staff paper prepared for the joint board meeting. Paragraph numbers correspond to paragraph numbers used in the board paper. However, because these notes are less detailed, some paragraph numbers are not used.*

## INFORMATION FOR OBSERVERS

<b>Board Meeting:</b>	<b>Joint IASB-FASB Meeting, 28 April 2006, London</b>
<b>Project:</b>	<b>Conceptual Framework: Measurement 1: Planning (Agenda Paper 5A; Memorandum 27)</b>

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## Measurement 1: Planning

### Introduction

1. The purpose of this paper is to present a plan for the measurement portion of the conceptual framework project. The staff seeks the Boards' views and will ask for approval to proceed with the plan.
2. [Paragraph omitted from Observer Notes].
3. [Paragraph omitted from Observer Notes].
4. [Paragraph omitted from Observer Notes].

### Objectives

5. Our objectives are to smooth the path to high-quality Board decisions about measurement and increase constituent acceptance of those decisions. Failing that, we

want to demonstrate that the Boards have been thorough and deliberate in both fact and appearance throughout the measurement phase of the project. As discussed below, these objectives have implications for the approach taken in the plan.

### **Restatement of Measurement Phases**

7. To increase the likelihood of achieving our objective, the staff proposes a revision of the measurement issues and their organization. We suggest:
  - a. Including all measurement issues in one project phase,
  - b. Creating new measurement phase milestones, and
  - c. Restating the measurement phase issues.

### ***A single measurement phase***

8. Currently, some of the measurement issues are included in the elements phase of the project (Phase B), while the rest of the issues are assigned to the measurement phase (Phase C). The staff thinks that dividing the measurement issues between different phases of the project is problematic [Portion omitted from Observer Notes] and proposes to include all measurement issues in Phase C of the project.

### ***New milestones***

9. To some extent, the current milestones lack an organizational rationale for addressing fundamental and difficult measurement issues. To allow a more logical approach, the staff proposes that the measurement phase include the following three milestones:
  - a. *Milestone I:* Defining and Describing the Properties of Measurement Bases
  - b. *Milestone II:* Evaluating Measurement Bases Using the Qualitative Characteristics
  - c. *Milestone III:* Conceptual Conclusions and Practical Applications.
10. The objective of Milestone I is to define and describe the properties of potential measurement bases, whether or not they are currently used very much in financial reporting today. [Portion omitted from Observer Notes] We propose, for example, an analysis that differentiates between variations in the families of historical cost bases and current value bases. The staff also is interested in looking at the properties of those bases from various perspectives that might help the Boards in their analysis, such as the source of the inputs to the bases and the timeframe(s) to which the bases refer.

11. In Milestone II, the staff plans to use the qualitative characteristics of relevance, faithful representation, comparability, and understandability to evaluate the potential for the various bases described in Milestone I to convey decision-useful information to users of financial reports. [Portion omitted from Observer Notes]
12. Milestone III will focus on deriving conceptual conclusions from Milestones I and II and addressing practical issues of using the measurement bases. The analysis will consider whether one base alone should satisfy the needs of financial statement users or whether some combination of bases is needed. We also plan to address the problems of using a conceptually desirable base when practical considerations prevent its straightforward application. Any measurement issues remaining after Milestones I and II and not otherwise assigned to other phases of the project will also be addressed in Milestone III.
13. [Paragraph omitted from Observer Notes]

#### ***Restated issues***

14. Finally, the staff proposes to restate the measurement issues originally identified by the Boards as cross-cutting issues, including reorganizing a majority of the issues into the new milestones and moving a few of the issues to other parts of the project where they might be addressed more appropriately. The proposed restatement of issues in the expanded Phase C, organized by the new milestones, is presented in Appendix A. [Portion omitted from Observer Notes]

#### ***Question for the Boards***

15. *Do the Boards agree with the staff's plan for a single measurement phase and the restatement of measurement milestones and issues?*

#### **Expanded Milestone Activities**

16. [Paragraph omitted from Observer Notes]

#### ***Public consultations***

17. The IASB has called for global public consultations on measurement and asked that those consultations take place as part of the conceptual framework project. One suggestion has been for a round of meetings, whether in roundtable format or some

other format, in at least three locations around the world (e.g., New York, Brussels, and Singapore). The project staff agrees in principle with the IASB's request.

18. However, the staff thinks *the objectives of the measurement phase plan would be achieved more readily if a round of consultations were held not just once, but as part of each milestone*. [Portion omitted from Observer Notes]
19. The staff also recommends departing from the customary practice of holding roundtables or other consultations *after* Board decisions have been taken. [Portion omitted from Observer Notes] Thus, *we recommend that public consultations be held before the Boards' decision making begins on the set of issues in each milestone*.
20. The staff has three other suggestions that we think would improve the use of public consultations in the measurement phase of the project. They are as follows:
  - a. *The number and format of public consultations in each milestone should remain flexible*. [Portion omitted from Observer Notes]
  - b. *Each public consultation should be based on staff-prepared documents*. [Portion omitted from Observer Notes]
  - c. Whether hosted by one or both of the Boards, or by a constituent group, *each public consultation should be managed and conducted by one or more Board members*. [Portion omitted from Observer Notes]

#### ***Due process documents***

21. [Paragraph omitted from Observer Notes]
22. More specifically, the staff recommends that the Boards issue a *milestone draft at the end of the first milestone*, a *preliminary views paper after reaching decisions in the second milestone*, and an *exposure draft after making decisions in the third milestone*. [Portion omitted from Observer Notes]
23. [Paragraph omitted from Observer Notes]

#### ***Questions for the Boards***

24. *Do the Boards agree to the need for public consultations for each milestone in the measurement phase of the project as suggested in paragraphs 18 through 20?*

25. *Do the Boards agree to the need for a due process document for each milestone in the measurement phase as suggested in paragraphs 21 and 22?*

### **Timeline for Measurement Phase**

26. [Paragraph omitted from Observer Notes]

### ***Related activities***

27. Two activities currently in process bear on the measurement phase of the project. One is the FASB fair value measurement project, which contains a definition of fair value and related guidance. The other is the IASB's Discussion Paper on measurement, which discusses a different concept of fair value as well as other measurement bases. [Portion omitted from Observer Notes]
28. [Paragraph omitted from Observer Notes]
29. Two additional aspects of this timing should be considered. First, no Board meetings to discuss the conceptual framework project will be held during the month of August, when the IASB customarily holds no meetings. Second, the staff can proceed only so far on the issues of the first milestone without knowing the results of the related activities. Thus, we will need some time after the July meetings to react to the comments on the Discussion Paper.

### ***Board turnover***

30. The composition of both Boards will change during the measurement phase, as current members complete their terms and new members take their places. Such changes would take place in June of both 2006 and 2007. Therefore, the staff thinks it would be inefficient to begin the first milestone before July 2006 or the second milestone before July 2007.

### ***Projected timeline***

31. [Paragraph omitted from Observer Notes]
32. [Paragraph omitted from Observer Notes]

***Question for the Boards***

33. *Do the Boards agree with the suggested timeline as illustrated in Appendix B?*

## **Appendix A**

### **Restated Measurement Issues**

#### **Milestone I: Measurement Bases—Definition & Properties**

- M01: What are the measurement base candidates?
- M02: How are the measurement bases defined?
- M03: What are the properties of the measurement bases?
- M04: Are the measurement bases appropriate for both assets and liabilities?

#### **Milestone II: Measurement Bases—Evaluation Using Qualitative Characteristics**

- M05: Are the measurement bases relevant to economic resource allocation decisions?
- M06: Can the measurement bases be used to create faithful representations of assets and liabilities that can be verified?
- M07: Would using the measurement bases contribute to comparability?
- M08: Would using the measurement bases contribute to understandability?
- M09: Are there concepts in addition to the qualitative characteristics that should be used to evaluate the measurement bases? If so, how do the bases fare against them?

#### **Milestone III: Measurement Bases—Conclusions and Application**

- M10: Based on the individual evaluations in Milestone II, how do the measurement bases compare with one another? Can they be ranked according to their overall satisfaction of the qualitative characteristics?
- M11: Should one measurement base be used for all financial statement purposes, or could different bases be used for different purposes (e.g., initial vs. subsequent measurement, assets vs. liabilities, and different types of assets or liabilities)?
- M12: Should the same base(s) used for financial statements also be used for other aspects of financial reporting, or could different bases be used outside the financial statements?
- M13: What are the practical problems of using the selected base(s)? Should the problems preclude their use in some or all situations? Are there ways to address

those problems without diminishing the relevance, representational faithfulness, comparability, and understandability of financial reporting representations based on the base(s)?

M14: What can standard setters, preparers, and auditors do to improve the quality of accounting measurements based on the selected base(s)?