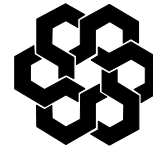




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This document is provided as a convenience to observers at the joint IASB-FASB meeting, to assist them in following the Boards' discussion. It does not represent an official position of the IASB or the FASB. Board positions are set out in Standards (IASB) or Statements or other pronouncements (FASB). These notes are based on the staff papers prepared for the IASB and FASB. Paragraph numbers correspond to paragraph numbers used in the joint IASB-FASB papers. However, because these notes are less detailed, some paragraph numbers are not used.

INFORMATION FOR OBSERVERS

IASB/FASB Meeting: 23 October 2006, Norwalk
Project: Conceptual Framework
Subject: Planning—Phase B: Elements and Recognition
(Agenda Paper 2B) (also issued as observer note for
IASB meeting Agenda Paper 9C)

Introduction

1. The elements phase of the joint IASB/FASB conceptual framework project comprises ten milestones:
 - I. Asset definition
 - II. Options over assets
 - III. Effects of uncertainty (as it applies to assets and liabilities)
 - IV. Liability definition
 - V. Liabilities and equity
 - VI. Unit of account

Planning—Phase B

- VII. Recognition
 - VIII. Derecognition
 - IX. Other elements (see IASB Agenda Paper 9, FASB Memorandum 34, for IASB and FASB separate meetings)
 - X. Finalization (steps for processing PV, ED, and final).
2. The Boards have commenced deliberations of milestones I, II, III, IV, and V and will commence deliberation of milestone IX at the October meetings. However, only milestone II is complete and milestone I will be completed shortly—the staff plan to ask the Boards to reach conclusions on milestone I at their November meetings. Several of the other milestones still require considerable work before they will be concluded.
 3. This paper considers whether the Boards should wait until the completion of phase B before soliciting further input, as was originally planned, with a Discussion Paper/Preliminary Views document scheduled for the second quarter of 2007, or whether earlier consultation on parts of the Phase might be beneficial.

Staff Recommendation

4. The staff recommends that the Boards consult with selected informal technical experts and others such as the IASB’s Standards Advisory Council (SAC) and the FASB’s Financial Accounting Standards Advisory Council (FASAC) on milestones I and II, without waiting for completion of the remaining milestones.
5. *Do IASB and FASB members agree that staff should undertake such consultation?*

Discussion

Background

6. The Boards reached conclusions on milestone II, Options over assets, in September 2006 and the staff expect that, after several prior discussions, the

Planning—Phase B

Boards will be in a position to reach tentative conclusions on milestone I, definition of an asset, in November 2006. However, while the staff will continue to move forward on other milestones, we do not expect to be in a position to begin Board deliberations on these milestones until early 2007 at the earliest. Accordingly, we do not expect to be in a position to complete work on Phase B until much later in 2007.

7. We think that, rather than setting aside the working definition of an asset for several months, we could benefit from some external advice on milestones I and II at this time. [Sentences omitted from Observer Notes] External parties would provide a fresh and objective look.
8. Furthermore, the definition of an asset is the fundamental starting point for other parts of the conceptual framework, including the definitions of other elements and recognition and measurement. Ensuring that we have as robust a definition as possible can only help the remaining parts of the project. Accordingly, we think that external consultation at this time would be beneficial.
9. Two questions come to mind regarding such consultation:
 - a. Can those with whom we would consult knowledgeably provide advice on just this part of phase B, without also knowing the answers to, or Boards leanings on, other parts of Phase B?
 - b. With whom should we consult?

Can we consult on this part alone?

10. We think that, with some explanation to those with whom we seek consultation, we can gather beneficial advice on these two milestones alone. The Boards have discussed and reached tentative conclusions on these issues without reaching tentative conclusions on other aspects of this project phase. We have also discussed the working definitions with groups such as the SAC and at the IASB's

Planning—Phase B

World Standards Setters meeting without there being an inability of the participants to engage in discussion and debate.

11. [Paragraph omitted from Observer Notes]

With whom should we consult?

12. We think that there are two primary alternatives as to with whom we should consult:

- a. We could consult broadly with all constituents via the IASB and FASB web sites.
- b. Alternatively, we could consult with a narrower group, such as selected informal technical experts and the Boards' advisory groups on this project—the SAC and the FASAC.

13. [Sentence omitted from Observer Notes] A broader range of constituents will have an opportunity to comment on a Preliminary Views/Discussion Paper and an Exposure Draft dealing with phase B in due course. However, we think that consulting with a narrower group will aid in informing us and improving the eventual content of that document. [Sentence omitted from Observer Notes] Accordingly, we recommend that we consult with selected informal technical experts, and others such as the IASB's Standards Advisory Council, and the FASB's Financial Accounting Standards Advisory Council. [Sentence omitted from Observer Notes]

14. [Sentences omitted from Observer Notes] Staff will also proceed with other aspects of the project while consulting on these milestones.

15. *Do Board members agree that we should consult with selected informal technical experts and others such as the SAC and the FASAC on milestones I and II, without waiting for completion of the remaining milestones?*