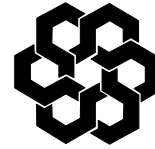




Financial Accounting  
Standards Board



International  
Accounting Standards  
Board

401 Merritt 7, PO Box 5116, Norwalk, CT 06856,  
USA  
Tel: +1 203 847 0700  
Fax: +1 203 849 9714  
Website: [www.fasb.org](http://www.fasb.org)

30 Cannon Street, London EC4M 6XH,  
United Kingdom  
Tel: +44 (0)20 7246 6410  
Fax: +44 (0)20 7246 6411  
Website: [www.iasb.org](http://www.iasb.org)

*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:** Measurement 2: Measurement Bases Introduction  
(Agenda Paper 2C; FASB Memorandum 38)

---

## Measurement 2: Measurement Bases Introduction

### Introduction

1. At their April 2006 joint meeting, the Boards approved a plan for the measurement phase of the conceptual framework project. That plan divides the measurement phase into three milestones, the first of which encompasses the identification, definition, and description of measurement bases. This paper is the first in a series to address the issues in the measurement bases milestone.
2. This paper is introductory in nature. It explains the staff's goals for the measurement bases milestone, describes the organization of the substantive papers

that accompany it, and explains the staff's purpose in bringing those papers to the Boards.

### **Milestone Goals**

3. The staff has two primary goals for the measurement bases milestone. The first is to identify, define, and describe a comprehensive set of what are currently considered to be measurement bases. The staff is aware of the conceptual hazards of using what may appear to be an inductive approach to commence a process that may eventually result in the selection of a conceptually preferable basis or the ranking of several preferred bases. However, given the current state of practice and the highly divergent views of interested parties to the discussion of accounting measurement, the staff thinks it better to start from a position that reflects the spectrum of long-held ideas about measurement bases and firm up our conceptual underpinnings later on in the measurement phase. As a result of this approach, some things presently thought of as measurement bases may be eliminated from further consideration during the measurement bases milestone, but most will be carried forward into the second milestone of the measurement phase.
4. The second goal of the measurement bases milestone is to improve communication about measurement bases. The staff notes that current language usage promotes miscommunication in three ways.
  - a. Different labels are sometimes used for the same measurement basis.
  - b. The same label is sometimes used for more than one measurement basis.
  - c. Several measurement bases are often loosely referred to using the generic labels of historic cost and current value as though all such bases were identical in nature when in fact they are not.
5. At completion of the first measurement milestone, the staff hopes to have a common measurement bases vocabulary in place that both Boards have agreed to and that all participants in the measurement phase of the conceptual framework project will use in both oral and written communication. Without such agreement,

the staff sees little chance of sorting out the difficult issues in subsequent milestones of the measurement phase.

### **Organization of Accompanying Papers**

6. Three papers accompany this introductory paper. Measurement Paper 2A contains a general discussion of prices and values, the basic indicators of worth used in economic decision making, as well as a more specific discussion of entry and exit *prices* and entry and exit *values*. There is considerable variation and confusion in the way entry and exit terms have been used. As those terms are integral to several measurement bases, the staff thinks a separate discussion of them preceding its exposition of measurement bases will lend clarity to that exposition.
7. In Measurement Papers 2B and 2C, the staff groups existing and proposed measurement bases into three categories, namely historical measurement bases, current measurement bases, and future measurement bases. Paper 2B discusses historical measurement bases and Paper 2C discusses current measurement and future measurement bases. Within each category, measurement bases are labelled, defined, and exemplified from the perspective of both assets and liabilities. Each basis is also classified as to its type of economic worth indicator (price or value) and its basic time frame orientation (past, present, or future), to the extent possible.

### **Purpose of Papers**

8. The staff is bringing the accompanying papers to the Boards for two reasons. First, while some members of the Boards have had an opportunity to discuss the content of those papers with the staff in private small group meetings, most have not. The staff would like to extend the discussion to all Board members even though the joint meeting in which the papers will be discussed is not a decision-making meeting with respect to the papers' content.
9. The second reason for presenting the accompanying papers at the joint meeting is to expose the staff's work in progress in a public forum as a step in the process of

preparing for the initial round of measurement roundtables in January and February 2007. Following the joint meeting, the staff plans to use those papers, or some form of them, as part of the official public announcement of the roundtables on the Boards' websites. The staff thinks that those papers may serve as a suitable substitute for the due process document that customarily precedes roundtables.