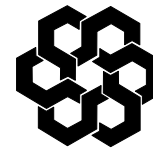




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This document is provided as a convenience to observers at the joint IASB-FASB meeting, to assist them in following the Boards' discussion. It does not represent an official position of the IASB or the FASB. Board positions are set out in Standards (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 April 2007, London

Project: Conceptual Framework

Subject: Project Status, Plans, and Priorities
(Agenda paper 15)

Introduction

1. This agenda paper is in two parts. The first part (I) provides a brief update on the project status. The second part (II) reviews our staffing and near-term plans and asks the Boards for direction about relative priorities of certain phases and milestones within phases of the project so that we can most effectively make staff allocations in meeting the Boards' near-term priorities.
2. That second part also asks whether, at this time, the focus should remain on moving the first four phases of the project forward or any staff resources should be assigned to plan for one or more of the inactive phases of the project. It also raises questions about whether external communications should continue to describe the framework as a single project with both active

and inactive phases or perhaps as separate projects with their particular timelines and goals.

3. Another paper (Agenda Paper 15A; FASB Memorandum 55A) discusses possible changes that the staff is considering to enhance the efficiency of the processes used in framework project. It asks Board members for feedback on those possible changes as well as suggestions from individual Board members in that regard.

Part I - Project Status

4. In many respects, the project status in April 2007 is similar to our report at the October joint meeting. Four phases of the project remain active and staffed and the other phases remain inactive.
5. Some highlights over the past six months are:
 - a. **Objectives and Qualitative Characteristics** (Phase A)—The comment period for the Preliminary Views came to a close in November, respondents' comments were analyzed, in February the Boards discussed those comments and the plan for redeliberations, and this month the those redeliberations began.
 - b. **Elements and Recognition** (Phase B)—The Boards discussed, and agreed to consult on, a working definition of an asset. The Boards' working definition of an asset and the staff's tentative definition of a liability were discussed at the December AAA/ FASB conference. FASAC (December) and SAC (February) also discussed the asset definition and it has been shared with several of our informal technical experts for their comments. The working definition of an asset was also discussed by the National Standards Setters at the end of March in Hong Kong. In November, the Boards considered the first two cross-cutting issues of the liabilities and equity phase and directed the staff to expedite exploring an approach that would replace the liability and equity elements with a single element (claims). The implications of that approach were discussed in February. (FASB's considerations will continue at their April 11 meeting and the staff plans to report the results to the IASB by email and at the April joint meeting.) Work also has continued on the definition of a liability.

- c. **Measurement** (Phase C)—The measurement roundtables were held in Hong Kong, London, and Norwalk in January and February. In March, the Boards discussed the staff’s summary of those roundtables and plans for using the comments received.
- d. **Reporting Entity** (Phase D)—In December, the Boards continued their deliberations and received a preliminary staff draft of a discussion paper. In January, the staff met with a small group of Board advisors and, utilizing the advisors’ input, drafted and distributed to the Board advisors revised draft of a discussion paper that articulates the relevant issues on the reporting entity and various viewpoints on those issues.

Part II - Staffing and Near-Term Plans

6. This section describes the staff thinking about near-term plans and how we might allocate the assigned staff, **assuming** we continue with the current staff levels and processes. Recent efforts to recruit new staff for the project have not resulted in additional staff being assigned to the project.
7. [Paragraph and related attachments omitted from observer notes]
8. **Objectives and Qualitative Characteristics**[Paragraph omitted from observer notes]
9. The staff thinks that the expeditious completion of this phase should continue to receive high priority and that the current staffing levels are appropriate for the coming months. However, we have not yet determined who will manage the phase following the issuance of the Exposure Draft [words omitted from observer notes]. If the Boards are unable to recruit or reassign a new project manager to begin the subsequent round of redeliberations, we will reassign existing team members. That, of course, would reduce their availability for other phases.
10. Do the Boards’ agree that the completion of this phase should be a near-term high priority and that the core staffing for this phase should be maintained at the current level (about 2.5 FTEs, excluding consultants and administrative support)?
11. **Elements and Recognition**—The immediate priority in this phase is to continue to move forward the work on the definition of an asset and a liability.

However, this phase also includes the definition of equity, as well as other elements (such as revenues, expenses, gains, and losses) and thorny issues related to recognition, derecognition, and the unit of account. The latter three issues will be challenging and work on them has not yet started.

12. [Paragraph omitted from observer notes]
13. We think the milestones on liabilities and equity (V) and other elements (IX) are not priorities for the coming six months. For Milestone V, we think the Boards should leverage off the forthcoming FASB Preliminary Views document on the related standards-level project and constituents' comments on that document. We think Milestone IX, which deals with convergence of the flow elements (the IASB's income and expense versus the FASB's revenues, expenses, gains, losses, comprehensive income, investments by owners and distributions to owners) and potential cash flow elements, also can to some extent leverage off active standard-setting projects (for example, revenue recognition). Thus, we do not plan to assign staff to these two milestones in the near term.
14. We think recognition, derecognition, and the unit of account should remain near-term priority milestones for this phase, which must be evaluated before a discussion document can be issued on this phase. [Sentence omitted from observer notes]
15. Some acceleration of this phase of the project might be possible if some of the work were to be undertaken concurrently rather than sequentially. [Sentences omitted from observer notes]
16. [Sentences omitted from observer notes] Perhaps the most useful addition would be the assignment of 100 percent of a full-time staff member that could be counted on to tackle one or more of Phase B's discrete milestones.
17. Absent the addition of new staff in the coming months, do the Boards prefer to continue to commit all available project staff to the four active phases or, as discussed later, perhaps start one or more of the inactive phases?
18. **Measurement**—[Sentences omitted from observer notes] The timeline for the measurement phase may not suffer significantly without that support in the

near term. We eventually will need to provide [Words omitted from observer notes] support staff for analyzing comments on discussion documents or milestone drafts when that time arrives, but that will not be for a while, as the Boards recently agreed not to have a formal balloted discussion document for each of the three milestones of this phase.

19. **Reporting entity**—[Sentences omitted from observer notes] The plan is to bring issues upon which the boards have yet to reach a converged position in May 2007 and any sweep issues to the Boards in June 2007. The due process document goal remains a discussion paper that contains the Boards' preliminary views, alternative views, or, perhaps, seeks comments on alternative approaches.
20. [Paragraph omitted from observer notes]
21. **Other Phases and Questions about their Priorities**—As reported six months ago, we still have not made definitive plans or assignments for the remaining inactive phases, two of which are substantive: presentation and disclosures, including boundaries of financial reporting (Phase E) and applicability to not-for-profit organizations (Phase G). We had thought that preliminary staff research and planning for Phase E could begin during the first half of 2007 and said that “depending on the Boards' priorities and available staff, deliberations could start in the second half of 2007.” However, since then, the Boards directed us to devote staff resources to exploring the claims approach, and the reporting entity has not yet been completed as originally planned.
22. Moreover, it is not clear that the Boards attach immediate priority to either of the inactive phases. As a result, that would not warrant reassigning any of the limited project staff to one or both of those phases during the next 6 to 12 months.

Distinctions between the Other Phases and Active Phases

23. The remainder of this section discusses distinctions among phases, which also raises questions about whether external communications should continue to describe the framework as a single project with both active and inactive phases or perhaps as separate projects with their particular timelines and goals

24. The staff thinks there is a logical divide between the active or “core” phases of the project and the inactive phases. That is, the bulk of the issues in the active phases focus on matters related to the definitions, recognition/derecognition, the unit of account, and measurement of items in financial statements of business entities. Phase E is to focus on reporting and disclosure matters and Phase G is to focus on the application of the entire framework to not-for-profit entities. In effect, we see a core conceptual framework project that would first establish a baseline for financial statements of business entities and “other” framework projects that would follow. The latter might be described as research activities for the near-term that will later build on the core framework and expand it to financial reporting and to not-for-profit entities.
25. The first phase of the project, however, is directed at the objectives of financial reporting rather than financial statements. Several respondents to the Preliminary Views challenged whether the Boards should move forward with that broader scope for the objectives, particularly since constituents have yet to see any Board concepts on the boundaries of financial reporting, including the scope of what they would encompass.¹ This scope matter will be one of the issues the team will bring to the Boards in June.
26. At the administrative session, the staff will ask whether the Boards attach a high priority to the presentation and disclosure phase (Phase E) or prefer to wait for further progress at the standards level before assigning any staff to this phase or until we are closer to completion of the active phases (A - D).
27. Although we have done no significant planning for Phase E, we have done some brainstorming and can see several significant parts to that phase, of which Board members may have different degrees of interest in pursuing. Those parts could be described as:
 - a. Presentation in financial statements, which includes conceptual matters of aggregation and disaggregation that are being addressed in the financial statement presentation standards project
 - b. Disclosures in notes to financial statements, which would depend in part on decisions reached in (a)

¹ The distinction between financial statements and financial reporting also may have implications for the way in which we view the qualitative characteristics of decision-useful information.

- c. Reporting or disclosures outside of financial statements and notes to financial statements, which would encompass management commentary and potentially prospective financial reporting, including the boundaries between financial statements and other financial reporting
 - d. Other boundary issues, which would include whether **financial** reporting should include decision-useful information that is not financial in nature.
28. Recently, others have conducted research in these areas. For example, in January, the IASB:

discussed a summary of the comment letters received in response to the Discussion Paper *Management Commentary* prepared for the IASB by staff of the United Kingdom, New Zealand and German standard-setters, and the Canadian Institute of Chartered Accountants. The discussion paper was published by the IASB in October 2005. Overall, the response received from the publication of the discussion paper was positive. The Board asked the team to prepare a draft agenda proposal for review. [minutes of meeting]

29. Similarly, the Canadians are conducting research on a framework for financial statement disclosures, and the FASB's User Advisory Task Force recently expressed interest in the Boards establishing a disclosure framework. Also, other standard-setting bodies have issued financial reporting requirements or guidance for auditors' association with prospective financial information. Unfortunately, the framework team is not sufficiently staffed to coordinate those efforts and has yet to do any substantive planning for that phase.
30. Do Board members wish to elevate the [near-term] priority of the presentation and disclosure phase at this time and allocate staff to that phase to commence planning efforts? If so, how do Board members evaluate the relative priorities of Phase E versus other phases of the Framework project in regard to allocation of scarce staff resources in the near term? If not, should the Boards consider splitting the overall framework project into two parts, for example, the core framework project (which would include the currently active phases) and another part for initial research activities that might be led by commissioned external resources, such as academics or one or more NSS members? Candidates for the latter would include management commentary, disclosure framework, prospective reporting, and applicability to not-for-profit organizations, among others.