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FINANCIAL ACCOUNTING STANDARDS BOARD

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February 2, 2009

TO: MEMBERS OF THE FASB EMERGING ISSUES TASK FORCE

Included are the final minutes of the January 15, 2009 meeting of the FASB Emerging Issues Task Force and an inventory of open issues for the next EITF meeting. Also included is a confidential version of the minutes that has been marked for changes from the January 27, 2009 Fatal Flaw draft. After your review, please discard the confidential marked version of the minutes.

March Meeting

The next EITF meeting will be held on **March 19, 2009**, at the FASB offices in Norwalk, Connecticut. Please plan for the meeting to begin on Thursday, March 19, at 8:00 a.m. and conclude no later than 5:00 p.m. The meeting times are tentative and may change. Coffee will be available and lunch will be provided. On Wednesday, March 18, the FASB will host a dinner at a location to be announced later.

Minutes

We will make minutes available **after 4:00 p.m.** on the following days:

Draft minutes available March 24, 2009

Final minutes available April 7, 2009.

Please call me at 203.956.5231 if you have any questions.

Sincerely,

Shea H. Malcolm
Practice Fellow
shmalcolm@fasb.org

**MINUTES OF THE JANUARY 15, 2009 MEETING
OF THE FASB EMERGING ISSUES TASK FORCE**

Location: FASB Offices
401 Merritt 7
Norwalk, Connecticut

Thursday, January 15, 2009

Starting Time: 9:30 a.m.

Concluding Time: 11:25 a.m.

Task Force Members Present:

Russell G. Golden (Chairman)
Mark M. Bielstein
Mitchell A. Danaher
James G. Campbell¹
Jay D. Hanson²
Stuart H. Harden¹
Jan R. Hauser
Carl Kampel¹
Mark LaMonte¹
Carlo D. Pippolo
Matthew L. Schroeder
R. Harold Schroeder¹
Ashwinpaul C. (Tony) Sondhi
Robert Uhl
Lawrence E. Weinstock¹
James L. Kroeker (SEC Observer)¹
James J. Leisenring (IASB Observer)

Task Force Members Absent:

None

¹ Participated by telephone.

² Mr. Hanson also served as the AcSEC Observer.

Others at Meeting Table:

Robert H. Herz, FASB Board Member

Leslie F. Seidman, FASB Board Member

Larry W. Smith, FASB Board Member

Tom Linsmeier, FASB Board Member

Shea H. Malcolm, FASB Practice Fellow

Chad I. Bonn, FASB Practice Fellow

Jeffery T. Nickell, FASB Practice Fellow

ADMINISTRATIVE MATTERS

- The Task Force Chairman welcomed Mr. Carlo D. Pippolo of Ernst & Young LLP, as the newest member of the Task Force.
- Prior EITF meeting minutes. An FASB staff member solicited objections to the final minutes of the November 13, 2008 meeting. No objections were noted.
- The Task Force discussed the most recent meeting of the EITF Agenda Committee held on January 15, 2009. The Agenda Committee discussed two proposed issues. Based on the recommendations of the Agenda Committee and input from Board members, the FASB Chairman made the following decisions:
 - a. *Accounting for Deferred Tax Assets and Liabilities on Available-for-Sale Debt Securities That Are Expected to Be Held-to-Recovery and/or Held-to-Maturity.* The FASB Chairman has asked the staff to provide the Board with some additional information before making a decision about whether to add this proposed issue to the EITF agenda for discussion at a future meeting.
 - b. *Consideration of an Insurer's Accounting for Majority Owned Investments When the Ownership Is through a Separate Account.* This issue was added to the EITF agenda for discussion at a future meeting.

The FASB Chairman also made the following decision concerning a project currently on the Board's agenda:

- c. *IPR&D Acquired In an Asset Acquisition.* This issue will examine inconsistencies between the accounting for research and development assets acquired in a business combination and the accounting for those acquired in other types of transactions. This issue was moved from the Board's agenda to the EITF agenda.
- Comment letters on the following Issues were reported as received and distributed to the Task Force:
 - a. One comment letter on EITF Issue No. 07-5, "Determining Whether an Instrument (or Embedded Feature) is Indexed to an Entity's Own Stock." This letter will be discussed at a future meeting.
 - b. Three comment letters on EITF Issue No. 08-1, "Revenue Arrangements with Multiple Deliverables." These letters will be discussed at a future meeting.
 - c. Four comment letters on EITF Issue No. 08-10, "Selected Statement 160 Implementation Questions." Refer to the discussion of Issue 08-10 elsewhere in these minutes for Task Force consideration of those comment letters.

- An FASB staff member announced that a closed EITF Education Session to discuss EITF Issue No. 08-I, "Accounting for Own-Share Lending Arrangements in Contemplation of Convertible Debt Issuance," would be held immediately following the January 15, 2009 EITF meeting.
- March 18–19, 2009 EITF meeting. An FASB staff member asked the Task Force to anticipate a day-and-a-half EITF meeting to be held on March 18 and 19, 2009.

DISCUSSION OF AGENDA TECHNICAL ISSUES

Issue No. 08-10

Title: Selected Statement 160 Implementation Questions

Dates Discussed: November 13, 2008; January 15, 2009

References: FASB Statement No. 66, *Accounting for Sales of Real Estate*
FASB Statement No. 141 (revised 2007), *Business Combinations*
FASB Statement No. 154, *Accounting Changes and Error Corrections*
FASB Statement No. 157, *Fair Value Measurements*
FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*
FASB Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements*
FASB Interpretation No. 43, *Real Estate Sales*
AICPA Accounting Research Bulletin No. 51, *Consolidated Financial Statements*
APB Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock*
APB Opinion No. 29, *Accounting for Nonmonetary Transactions*
AICPA Statement of Position 78-9, *Accounting for Investments in Real Estate Ventures*
AcSEC Issues Paper, *Joint Venture Accounting*
International Accounting Standard 18, *Revenue*
International Accounting Standard 27, *Consolidated and Separate Financial Statements*
International Accounting Standard 28, *Investments in Associates*
International Accounting Standard 31, *Interests in Joint Ventures*
EITF Issue No. 98-8, "Accounting for Transfers of Investments That Are in Substance Real Estate"

EITF Issue No. 01-2, "Interpretations of APB Opinion No. 29"

EITF Issue No. 08-8, "Accounting for an Instrument (or an Embedded Feature) with a Settlement Amount That Is Based on the Stock of an Entity's Consolidated Subsidiary"

Introduction

1. Statement 160 amends ARB 51 and establishes the accounting for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Statement 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Statement 160 applies to all entities that prepare consolidated financial statements except not-for-profit organizations. Upon deconsolidation of a subsidiary, ARB 51, paragraph 36, as amended by Statement 160, requires a parent to record any retained interest in the subsidiary at fair value and recognize a gain or loss in net income as the difference between:

- a. The aggregate of:
 - (1) The fair value of any consideration received
 - (2) The fair value of any retained noncontrolling investment in the former subsidiary at the date the subsidiary is deconsolidated
 - (3) The carrying amount of any noncontrolling interest in the former subsidiary (including any accumulated other comprehensive income attributable to the noncontrolling interest) at the date the subsidiary is deconsolidated
- b. The carrying amount of the former subsidiary's assets and liabilities.

2. There is no scope limitation within Statement 160 for applying this guidance except with respect to a nonreciprocal transfer to owners, which is accounted for in accordance with Opinion 29. While Statement 160 provides general guidance on accounting for the deconsolidation of a subsidiary, some constituents have raised concerns that other authoritative guidance exists that may conflict with Statement 160 for the recognition of a gain or loss upon deconsolidation of subsidiaries when the subsidiary is in-substance real estate or the transaction involves an equity method investee or joint venture.

Issues

3. The issues are:

Issue 1— How an entity should account for the transfer of an interest in a subsidiary that is in-substance real estate

Issue 2— How an entity should account for the transfer of an interest in a subsidiary to an equity method investee that results in deconsolidation of the subsidiary

Issue 3— How an entity should account for the transfer of an interest in a subsidiary in exchange for a joint venture interest that results in deconsolidation of the subsidiary.

Scope

4. This Issue applies to transfers of interests in a consolidated subsidiary in transactions specified in Issues 1–3.

Prior EITF Discussion

5. At the November 13, 2008 EITF meeting, the Task Force reached a consensus-for-exposure on Issue 1 that an entity should not apply Statement 160 to transfers of interests in a subsidiary that are in-substance real estate but should account for the transfers as sales of real estate in accordance with Statement 66 and related literature. Some Task Force members noted that they believe that Statement 66 gives more specific guidance on the accounting for sales of real estate than Statement 160. Other Task Force members noted that the application of Statement 160 to transactions that would also qualify as sales of in-substance real estate could result in transactions with similar economics being accounted for under two different recognition models. Some Task Force members observed that this decision may be inconsistent with Statement 159, which allows the fair value option to be applied to an equity interest that is in-substance real estate. Since the Board specifically considered and rejected a scope exclusion for in-substance real estate from Statement 159 in its original deliberations, the Task Force decided not to reconsider the scope of Statement 159.

6. On Issues 2 and 3 the Task Force reached a consensus-for-exposure that Statement 160 should be applied when accounting for transfers of interests of subsidiaries to an equity method investee including exchanges of a subsidiary for an interest in a joint venture.

7. Some Task Force members expressed concerns that questions may continue to arise involving the application of Statement 160. Some of those concerns related to situations in which a transferred subsidiary may have been structured to achieve a particular accounting result. Task Force members with those concerns noted that other accounting literature would apply to that type of transaction if the assets (and liabilities) did not reside within the subsidiary entity. To address those concerns, the Task Force reached a consensus-for-exposure to amend paragraphs 32–37 of ARB 51, which provide guidance on partial sales of interests in a subsidiary, including sales that result in deconsolidation of the subsidiary, to apply only when the subsidiary is a substantive entity.

Current EITF Discussion

8. At the January 15, 2009 EITF meeting, the Task Force discussed (a) comment letters and informal comments received on the draft abstract and (b) proposed revisions to the draft abstract that were intended to clarify the basis of the Task Force's consensus-for-exposure on this Issue.

9. The Task Force discussed whether the scope of this Issue should be limited to transfers of interests in *consolidated subsidiaries* (that is, based on legal form) consistent with Statement 160 or whether the scope should be broadened to reflect the substance of the transfer (that is, a business or a substantive entity). The Task Force also discussed whether the scope of Statement 160 should be amended to be consistent with the proposed revisions if a decision is reached to broaden the scope of this Issue. The Task Force discussed whether the disclosures required by Statement 157 for nonrecurring fair value measurements would apply to a retained interest within the scope of this Issue. The Task Force was not asked to reach a conclusion on these

issues, but agreed to continue its discussion on the scope of this Issue, the scope of Statement 160, and disclosure considerations at a future meeting.

Status

10. Further discussion is expected at a future meeting.

Status of Open Issues and Agenda Committee Items

The following represents the FASB staff's assessment of the status and immediate plans with respect to the open Issues on the Task Force's agenda. The Issues on the proposed agenda for the March 19, 2009 meeting are considered either high priority issues or issues on which meaningful progress can be made within the staff's given complement of resources. The staff's prioritization of issues is based primarily on the FASB staff's understanding of the level of diversity in practice created by each respective Issue, the financial reporting implications of that diversity, the current interaction, if any, of the Issues with active Board projects, and current resource availability among the staff (with respect to both time and relevant technical expertise).

Issue No.	Description	Date Added	Date(s) Discussed	Next Meeting	EITF Liaison	FASB Staff	Immediate Plans	Due Date - Next Deliverable
08-1	Revenue Arrangements with Multiple Deliverables	1/08	3/08, 6/08, 9/08, 11/08	3/09	Uhl	Maples/ Elsbree	The FASB staff will prepare an Issue Supplement for a future meeting	Draft abstract comment period closes January 30, 2009 March 19, 2009 EITF meeting
08-9	Milestone Method of Revenue Recognition ¹	10/08	11/08	3/09	Uhl	Maples/ Elsbree	The FASB staff will prepare an Issue Supplement for a future meeting	March 19, 2009 EITF meeting

¹ This Issue was previously discussed in conjunction with Issue No. 08-1, "Revenue Arrangements with Multiple Deliverables."

Issue No.	Description	Date Added	Date(s) Discussed	Next Meeting	EITF Liaison	FASB Staff	Immediate Plans	Due Date - Next Deliverable
08-10	Selected Statement 160 Implementation Questions	10/08	11/08, 1/09	3/09	Hanson	Bonn/ Nickell	The FASB staff will prepare a second Issue Supplement for a future meeting	March 19, 2009 EITF meeting
08-I	Accounting for Share Lending Arrangements in Contemplation of Convertible Debt Issuances and the Related Determination of Earnings per Share	10/08		3/09	Uhl	Homant/ Malcolm	The FASB staff will prepare an Issue Summary for a future meeting	March 19, 2009 EITF meeting
09-A	Application of Issue 08-1 to Software Sales	11/08		3/09	TBD	Bonn/ Maples	The FASB staff will prepare an Issue Summary for a future meeting	March 19, 2009 EITF meeting
09-B	Consideration of an Insurer's Accounting for Majority Owned Investments When the Ownership Is through a Separate Account	1/09		3/09	TBD	TBD	The FASB staff will prepare an Issue Summary for a future meeting	March 19, 2009 EITF meeting
09-C	IPR&D Acquired In an Asset Acquisition.	1/09		3/09	TBD	TBD	The FASB staff will prepare an Issue Summary for a future meeting	March 19, 2009 EITF meeting

Other EITF Issues including Inactive Issues Pending Developments in Board Projects							
Issue No.	Description	Date Added	Date(s) Discussed	Next Meeting	FASB Staff	Immediate Plans	Due Date - Next Deliverable
03-15	Interpretation of Constraining Conditions of a Transferee in a Collateralized Bond Obligation Structure	11/02	N/A	Not scheduled	TBD	The Board's project on QSPE's is not expected to address this Issue and, therefore, the FASB staff will bring this Issue to the Agenda Committee at a future meeting to determine whether to begin discussions on this Issue or to request that the Task Force remove this Issue from the agenda.	Future Agenda Committee or EITF Meeting
06-12	Accounting for Physical Commodity Inventories for Entities within the Scope of the AICPA Audit and Accounting Guide, <i>Brokers and Dealers in Securities</i>	8/06	11/06	Not scheduled	TBD	Pending the outcome of the Board's project to amend ARB No. 43, <i>Restatement and Revision of Accounting Research Bulletins</i> .	Future EITF Meeting

Issues Pending Further Consideration by the Agenda Committee							
Issue No.	Description	Date Added	Date(s) Discussed	Next Meeting	FASB Staff	Immediate Plans	Due Date - Next Deliverable
N/A	Application of EITF Issue No. 99-20, "Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets," When a Special-Purpose Entity Holds Equity Securities and Whether an Investment That Is Redeemable at the Option of the Investor Should Be Considered an Equity Security or Debt Security	9/00	N/A	Not scheduled	TBD	Statement 155 did not address this Issue. Therefore, the FASB staff will bring this Issue to the Agenda Committee at a future meeting to determine whether to begin discussions on this Issue.	Future Agenda Committee meeting