FINANCIAL ACCOUNTING STANDARDS BOARD
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December 18, 2009

TO: MEMBERS OF THE FASB EMERGING ISSUES TASK FORCE

Included are the final minutes of the November 19, 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 December 4, 2009 Fatal Flaw draft. After your review, please discard the confidential marked version of the minutes.

January and March Meetings

The staff is planning to conduct an Education Session on **January 21, 2010**, the date reserved for an "extra" EITF meeting, for Issue No. 09-D, "Application of the AICPA Audit and Accounting Guide, *Investment Companies*, by Real Estate Investment Companies." Therefore, the next EITF meeting will be held on **March 17–18, 2010,** at the FASB offices in Norwalk, Connecticut.

Minutes

For the March 2010 meeting, we plan to make minutes available **after 4:00 p.m.** on the following days:

Draft minutes available March 23, 2010
Final minutes available April 7, 2010.

Please call me at 203.956.5226 if you have any questions.

Sincerely,

Chad I. Bonn
Practice Fellow
cibonn@fasb.org

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MINUTES OF THE NOVEMBER 19, 2009 MEETING OF THE FASB EMERGING ISSUES TASK FORCE

Location: FASB Offices
401 Merritt 7
Norwalk, Connecticut

Thursday, November 19, 2009
Starting Time: 8:30 a.m.
Concluding Time: 2:00 p.m.

Task Force Members Present:
Russell G. Golden (Chairman)
Mark M. Bielstein
Mitchell A. Danaher
James G. Campbell
Jay D. Hanson[1]
Stuart H. Harden
Jan R. Hauser
Carl Kampel
*Mark LaMonte
Carlo D. Pippolo
Matthew L. Schroeder
R. Harold Schroeder
Ashwinpaul C. (Tony) Sondhi
Robert Uhl
Lawrence E. Weinstock
Paul A. Beswick (SEC Observer)

Task Force Members Absent:
None

*** For certain issues only.**

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[1] Mr. Hanson also served as the AcSEC Observer.

Others at Meeting Table:
* Robert H. Herz, FASB Board Member (by telephone)
Leslie F. Seidman, FASB Board Member
Larry W. Smith, FASB Board Member
* Marc A. Siegel, FASB Board Member
Thomas J. Linsmeier, FASB Board Member
Shelly C. Luisi, SEC Senior Associate Chief Accountant
Chad I. Bonn, FASB Practice Fellow
* Kristofer E. Anderson, FASB Practice Fellow
* Kevin W. Brower, FASB Practice Fellow
* Sriprasadh Cadambi, FASB Practice Fellow
* Trevor Farber, FASB Practice Fellow
* Michael T. Gonzales, FASB Associate Practice Fellow
* Danielle E. Helmus, FASB Project Research Assistant
* Bradley J. Homant, FASB Practice Fellow
* Diane C. Inzano, FASB Practice Fellow
* Adrian E. Mills, FASB Practice Fellow
* Mark E. Trench, FASB Project Manager
* Robert Worshek, FASB Practice Fellow

* For certain issues only.

ADMINISTRATIVE MATTERS

- The EITF chairman announced that Mr. Paul A. Beswick has joined the Task Force as the SEC Observer replacing Mr. James L. Kroeker.

- An FASB staff member solicited objections to the final minutes of the September 9–10, 2009 EITF meeting. No objections were noted.

- An FASB staff member announced that the FASB chairman made the following EITF agenda decisions regarding issues discussed at the October 23, 2009 Agenda Committee meeting:
  - Issues added to the agenda:
    - Issue No. 09-G "Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts"
    - Issue No. 09-H "Accounting by Healthcare Organizations (Presentation of Insurance Claims and Related Insurance Recoveries; Revenue Recognition; and Measuring Charity Care for Disclosure)"
    - Issue No. 09-I, "Effect of a Loan Modification When the Loan Is Part of a Pool That Is Accounted for as a Single Asset"
    - Issue No. 09-J "Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades"
  - Issues not added to the agenda:
    - Accounting for Loss Contracts by Health Care Organizations
    - Accounting for Medical Malpractice Claims by Health Care Organizations
    - Accounting for Service-Related Contracts with the Federal Government
  - Decisions deferred pending discussion with the FASB Not-for-Profit Advisory Committee:
    - Accounting for Receipt of Contributions of Long-Lived Assets by Health Care Organizations.

- An FASB staff member announced that the FASB chairman added Issue No. 09-F, "Casino Base Jackpot Liabilities," to the EITF agenda.

- An FASB staff member announced that any consensuses-for-exposure reached at this meeting will be considered by the Board for ratification and exposure for public comment at the Board meeting on Wednesday, December 2, 2009. Any consensuses-for-exposure reached at prior meetings that are affirmed as consensuses at this meeting will also be considered by the Board for ratification at the Board meeting on Wednesday, December 2, 2009.

- January 2010 EITF meeting. An FASB staff member announced that the extra Task Force meeting will not be held on January 21, 2010, but that the staff intends to hold an Education Session for Task Force members on that date on Issues No. 08-9, "Milestone Method of Revenue Recognition," No. 09-D, "Application of the AICPA Audit and Accounting Guide,

Investment Companies, by Real Estate Investment Companies," and No. 09-H, "Accounting by Healthcare Organizations (Presentation of Insurance Claims and Related Insurance Recoveries; Revenue Recognition; and Measuring Charity Care for Disclosure)."

- March 2010 EITF meeting. An FASB staff member asked the Task Force to anticipate a two-day EITF meeting to be held on March 17–18, 2010.

- Working Group on Issue No. 08-9, "Milestone Method of Revenue Recognition." An FASB staff member reported that the Issue 08-9 Working Group had met earlier in November and that a working group report would be distributed shortly to Task Force members.

- Working Group on Issue No. 09-D, "Application of the AICPA Audit and Accounting Guide, Investment Companies, by Real Estate Investment Companies." An FASB staff member reported that a working group has been formed for this Issue and a meeting is expected to be held on December 14, 2009.

DISCUSSION OF AGENDA TECHNICAL ISSUES

Issue No. 09-2

Title: Research and Development Assets Acquired and Contingent Consideration Issued In an Asset Acquisition

Dates Discussed: March 19, 2009; June 18, 2009; September 9–10, 2009; November 19, 2009

References: FASB Accounting Standards Codification Topic 340, *Deferred Costs and Other Assets*

FASB Accounting Standards Codification Topic 350, *Intangibles—Goodwill and Other*

FASB Accounting Standards Codification Topic 605, *Revenue Recognition*

FASB Accounting Standards Codification Topic 730, *Research and Development*

FASB Accounting Standards Codification Topic 805, *Business Combinations*

FASB Accounting Standards Codification Topic 815, *Derivatives and Hedging*

FASB Accounting Standards Codification Topic 985, *Software*

FASB Statement No. 2, *Accounting for Research and Development Costs* (now under Topic 730)

FASB Statement No. 86, *Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed* (now under Topic 985)

FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities* (now under Topic 815)

FASB Statement No. 141 (revised 2007), *Business Combinations* (now under Topic 805)

FASB Statement No. 142, *Goodwill and Other Intangible Assets* (now under Topic 350)

FASB Statement No. 144, *Accounting for the Impairment and Disposal of Long-Lived Assets* (now under Topic 360)

FASB Interpretation No. 6, *Applicability of FASB Statement No. 2 to Computer Software* (now under Topic 730)

AICPA Statement of Position 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use* (now under Topic 350)

International Accounting Standard 36, *Impairment of Assets*

International Accounting Standard 38, *Intangible Assets*

International Financial Reporting Standard 3 (revised 2008), *Business Combinations*

EITF Issue No. 96-6, "Accounting for the Film and Software Costs Associated with Developing Entertainment and Educational Software Products" (now under Topic 985)

EITF Issue No. 99-5, "Accounting for Pre-Production Costs Related to Long-Term Supply Arrangements" (now under Topic 340)

EITF Issue No. 00-2, "Accounting for Web Site Development Costs" (now under Topic 350)

EITF Issue No. 07-3, "Accounting for Nonrefundable Advance Payments for Goods or Services Received for Use in Future Research and Development Activities" (now under Topic 730)

EITF Issue No. 08-6, "Equity Method Investment Accounting Considerations" (now under Topic 323)

Introduction

1. Prior to Statement 141(R), research and development assets were accounted for in the same manner irrespective of whether they were purchased as individual assets, as part of a group of assets, or in a business combination. In accordance with Topic 730, research and development assets are only recognized if the assets have a future alternative use, otherwise the assets are expensed at the acquisition date. Tangible assets that meet the future alternative-use criterion are initially capitalized at allocated cost. Intangible assets that meet the future alternative-use criterion are also initially capitalized at allocated cost and subsequently accounted for in accordance with the guidance in Topic 350 related to goodwill and other indefinite-lived intangible assets. In addition to Topic 730, other accounting literature addresses different aspects of accounting for research and development activities; for example, costs associated with computer software to be sold, leased, or marketed. That other accounting literature is based on the accounting requirements in Topic 730 for recognizing research and development assets.

2. Statement 141(R) amends Topic 730 and other U.S. generally accepted accounting principles (GAAP) on research and development assets acquired in a business combination. Statement 141(R) requires that all research and development assets acquired in a business combination be initially recognized and measured at fair value, regardless of whether those assets have a future alternative use. This guidance created inconsistencies between the accounting for research and development assets acquired in a business combination and those acquired in an asset acquisition.

Issues

3. The issues are:

Issue 1— Whether the costs of acquired tangible and intangible research and development assets that are acquired in an asset acquisition and that do not have a future alternative use, should be expensed immediately.

Issue 2— If the Task Force decides that all acquired research and development assets should be initially capitalized, how acquired research and development assets should be subsequently accounted for.

Issue 3—How an entity should account for contingent consideration related to an asset acquisition.

Issue 4—Whether the Task Force wishes to provide factors to consider when determining whether contingent payment is for an asset or for future services.

Scope

4. The scope of this Issue includes all tangible and intangible research and development assets acquired (either individually or with a group of other assets) and contingent consideration issued in a transaction other than a business combination. This Issue includes:

a. Tangible and intangible assets resulting from research and development activities—for example, patents, blueprints, formulas, and designs for new products or processes
b. Tangible and intangible assets to be used in research and development activities—for example, materials and supplies, equipment and facilities, and specific in-process research and development projects.

5. Payments to third parties for services to perform research and development activities are not considered acquired assets and are excluded from the scope of this Issue.

Prior EITF Discussion

6. At the March 19, 2009 EITF meeting, the Task Force reached a tentative conclusion on Issue 1 that all tangible and intangible research and development assets acquired in an asset acquisition shall be capitalized pursuant to the guidance related to the initial measurement of assets acquired in an asset acquisition in paragraphs 805-50-30-1 through 30-3, regardless of whether those assets have a future alternative use.

7. In connection with Issue 1, the Task Force also discussed the recognition and measurement of contingent consideration in an acquisition of tangible and intangible research and development assets. The Task Force observed that it may be difficult to differentiate between when the contingent consideration represents an additional payment for the acquired research and development tangible and intangible assets and when the contingent consideration represents a payment for services performed subsequent to the transaction date, when the seller maintains some form of continuing involvement. As a result, the Task Force requested that the FASB staff develop alternatives for discussion at a future meeting, including whether the Task Force could provide factors to consider when an entity is evaluating whether contingent consideration is payment for assets or future services.

8. On Issue 2, the Task Force reached a tentative conclusion that intangible research and development assets acquired in an asset acquisition shall be considered indefinite-lived until the completion or abandonment of the associated research and development activities. During the period those assets are considered indefinite–lived, they shall not be amortized but shall be tested

for impairment in accordance with the impairment guidance for intangible assets in paragraphs 350-30-35-17 through 35-20. Once the research and development efforts are completed or abandoned, the entity shall determine the useful life of the assets based on the guidance in Topic 350. The Task Force observed that the tentative conclusion conforms the subsequent measurement for tangible and intangible research and development assets acquired in an asset acquisition with the subsequent measurement for similar assets acquired in a business combination. Consistent with the guidance in paragraph 360-10-35-49, intangible assets acquired that have been temporarily idled shall not be accounted for as if abandoned. Tangible research and development assets acquired in an asset acquisition shall be subsequently accounted for in accordance with their nature.

9. The FASB staff noted that the tentative conclusion on Issue 2 will change the current application of Topic 350 for intangible research and development assets that have a future alternative use. Currently, intangible assets acquired outside of a business combination for use in research and development activities are evaluated pursuant to paragraph 350-30-35-1 through 35-5 to determine whether such assets are indefinite-lived or finite-lived assets.

10. At the June 18, 2009 EITF meeting, the Task Force did not have a substantive discussion on this Issue and was not asked to reach a conclusion.

11. At the September 9–10, 2009 EITF meeting, the Task Force affirmed as a consensus-for-exposure its tentative conclusions on Issues 1 and 2 that the cost of all tangible and intangible research and development assets acquired in an asset acquisition shall be capitalized regardless of whether those assets have a future alternative use, and subsequently accounted for pursuant to applicable U.S. GAAP for those assets.

12. On Issue 3, the Task Force reached a consensus-for-exposure that contingent consideration in an asset acquisition shall be accounted for in accordance with existing U.S. GAAP. For example, if the contingent consideration meets the definition of a derivative, the guidance related to accounting for derivatives and hedging in Topic 815 would require that it be recognized at fair value. The guidance related to accounting for contingencies in Topic 450 may require recognition of the contingent consideration if it is probable that a liability has been incurred and the amount of that liability can be reasonably estimated. In addition, the guidance in Subtopic 323-10 related to equity method investments may require the recognition of contingent consideration if it relates to the acquisition of an investment that is accounted for under the equity method. When contingent consideration relating to the acquisition of the asset is recognized at inception in accordance with existing U.S. GAAP, such amount would be included in the initial measurement of the cost of the acquired assets. If a contingent payment relating to the asset acquisition is subsequently made that is not recognized at the inception of the arrangement, that payment would be capitalized as part of the cost of the asset. However, if the contingent consideration arrangement is a derivative, changes in the fair value of a derivative instrument subsequent to inception would not be recognized as part of the cost of the asset.

13. Task Force members noted that this decision does not fully align the accounting for research and development assets acquired in asset acquisitions and business combinations. Some Task Force members were supportive of recognizing all contingent consideration at fair value

consistent with the accounting in a business combination. Those Task Force members believed that recognition of contingent consideration at fair value resulted in a better reflection of the economics of the transaction and provided more useful information to investors. Other Task Force members were concerned with complexities associated with recognizing contingent consideration in an asset acquisition at fair value.

14. On Issue 4, the Task Force reached a consensus-for-exposure that an entity is required to differentiate between contingent consideration that relates to the acquisition of the assets and contingent consideration that relates to the performance of future services from the seller. That differentiation would be required when the assets are acquired. The Task Force observed that it may be difficult to determine whether contingent consideration relates to the acquired asset or to future services. Certain Task Force members believed that factors should be included with this Issue to assist in making that determination. Other Task Force members believed that sufficient guidance exists for distinguishing between payments for assets and services in a business combination and that guidance was sufficient to consider for asset acquisitions. The Task Force reached a consensus-for-exposure not to provide factors for assisting in making this determination but decided to request input from constituents as to whether additional guidance is necessary.

Current EITF Discussion

15. At the November 19, 2009 EITF meeting, the Task Force discussed the comment letters received on the proposed Accounting Standards Update (proposed Update) to the Accounting Standards Codification. Some Task Force members questioned whether the amendments in the proposed Update would result in an improvement to financial reporting. Those Task Force members were concerned that inconsistencies in the measurement and subsequent accounting requirements would continue to exist for research and development assets acquired in an asset acquisition compared with assets acquired in a business combination. Some Task Force members indicated that they believe that further changes to the accounting for research and development assets should be considered holistically as part of a comprehensive project focusing on the accounting for all intangible assets including research and development assets. Certain Task Force members recommended that if such a project were to be added to the FASB's agenda, it should be led by the Board, preferably in a joint project with the IASB.

16. Other Task Force members indicated that they believe that the amendments in the proposed Update would improve financial reporting by aligning the recognition criteria for research and development assets acquired in an asset acquisition with the recognition criteria for research and development assets acquired in a business combination. However, those Task Force members acknowledged that measurement of those assets would continue to be different. Some Task Force members suggested that the Task Force could more closely align the measurement difference by requiring contingent consideration for all asset acquisitions to be recognized at fair value upon initial measurement. Other Task Force members were not supportive of such an approach.

17. The Task Force did not affirm its consensus-for-exposure that the cost of tangible and intangible research and development assets acquired in an asset acquisition should be capitalized, regardless of whether they have a future alternative use. The Task Force recommended that the

FASB chairman remove this project from the EITF agenda. Following the meeting, the FASB chairman removed Issue 09-2 from the EITF agenda.

Status

18. No further EITF discussion is planned. The staff was asked to make a recommendation to the Board about whether the Board should consider adding a broader research and development or intangible asset project to the FASB's agenda and what the scope of any such project should be.

Issue No. 09-E

Title: Accounting for Distributions to Shareholders with Components of Stock and Cash

Dates Discussed: September 9–10, 2009; November 19, 2009

References: FASB Accounting Standards Codification Topic 250, *Accounting Changes and Error Corrections*

FASB Accounting Standards Codification Topic 260, *Earnings per Share*

FASB Accounting Standards Codification Topic 480, *Distinguishing Liabilities from Equity*

FASB Accounting Standards Codification Topic 505, *Equity*

FASB Accounting Standards Codification Topic 855, *Subsequent Events*

FASB Statement No. 128, *Earnings per Share* (now under Topic 260)

FASB Statement No. 165, *Subsequent Events* (now under Topic 855)

AICPA Accounting Research Bulletin No. 43, *Restatement and Revision of Accounting Research Bulletins* (now under Topic 260 and Topic 505)

IAS 33, *Earnings Per Share*

Introduction

1. The Internal Revenue Service (IRS) requires real estate investment trusts (REITs) to distribute at least 90 percent of their taxable income. Historically, some REITs have issued "special dividends," that is, dividends above the REIT's recurring quarterly dividend, in periods of large, non-recurring earnings. In many cases, REITs issued these special dividends in the form of cash and stock, subject to approval by the IRS by means of a private letter ruling.

2. In 2008, the IRS issued a ruling that allows REITs to make distributions in the form of cash and stock to satisfy their annual distribution requirements, which may be in the form of normal recurring dividends or special dividends, without having obtained a private letter ruling in advance. For a REIT to qualify for taxable dividend treatment under the IRS Revenue Procedure, the distribution must offer shareholders the ability to elect to receive their entire dividend distribution in cash or stock of equivalent value. If too many shareholders elect to receive cash, each shareholder electing to receive cash must receive a pro rata amount of cash corresponding to their proportionate interest in the distribution, but in no event will any shareholder electing to receive cash receive less than 10 percent of their entire distribution in cash. The distribution must be declared for a taxable year ending on or before December 31, 2009.

3. In January 2009, the IRS extended this guidance to closed-end investment funds, which are also required to distribute at least 90 percent of their taxable income.

4. Although this guidance is currently only effective for taxable years ending on or before December 31, 2009, entities may continue to declare special dividends in the form of cash and stock in future periods if they obtain a private letter ruling from the IRS.

5. Diversity in practice has developed regarding how entities account for these arrangements. Some entities consider the stock portion of the dividend to be a new stock issuance that is reflected in earnings per share (EPS) prospectively. Others consider it to be a stock dividend under paragraph 260-10-55-12 and retrospectively restate shares outstanding and EPS.

6. There is also diversity in practice as to when a stock dividend is recorded. Some believe a stock dividend should be reflected in EPS on the date the dividend is declared. Others believe that a stock dividend should be reflected in earnings per share when the trading price of the shares has been adjusted to reflect the effects of the stock dividend (the ex-dividend date) or when the dividend is settled.

Issues

7. The issues are:

Issue 1 —Whether the stock portion of a distribution to shareholders that contains components of cash and stock and allows shareholders to select their preferred form of the distribution (with a limit on the amount of cash that will be distributed in total) should be accounted for as a stock dividend for EPS purposes

Issue 2 —If the Task Force reaches a tentative conclusion in Issue 1 that the stock portion of the distribution is a stock dividend, whether an entity should reflect a stock dividend in EPS in its financial statements prior to the earlier of the ex-dividend date or the date the number of shares to be issued is known for purposes of applying the provisions of paragraph 260-10-55-12.

Prior EITF Discussion

8. At the September 9–10, 2009 EITF meeting, the Task Force discussed Issue 1 and reached a consensus-for-exposure that the stock portion of a distribution to shareholders that contains components of cash and stock and allows shareholders to select their preferred form of the distribution (with a limit on the amount of cash that will be distributed in total) should be considered a stock dividend for purposes of applying the EPS provisions of Topic 260. Retrospective application of EPS would be required, regardless of whether the actual stock distribution is proportionate. The Task Force also reached a consensus-for-exposure that only the minimum portion of the distribution that will be issued in shares should be accounted for as a stock dividend. For example, if the cash available to be distributed is limited to 40 percent of the total value of the distribution, 60 percent of the total value of the distribution would be considered a stock dividend. The remaining 40 percent of the total value of the distribution that is available to be distributed in cash would not be considered a stock dividend, even if 40 percent of shareholders do not elect to receive cash and, therefore, more than 60 percent of the distribution is in shares. That is because shareholders have the option to receive cash or shares for 40 percent of the distribution that is not contingent on the outcome of elections made by other shareholders.

9. Some Task Force members did not agree that the stock portion of a distribution to shareholders that contains components of cash and stock and allows shareholders to select their preferred form of distribution (with a limit on the amount of cash that will be distributed in total) should be considered a stock dividend because the proportional interest of each shareholder would not remain the same unless all shareholders elected to receive cash or all shareholders elected to receive shares. The Task Force decided to present the views of those Task Force members as an alternative view in the questions for respondents in the proposed Accounting Standards Update (proposed Update) to the Accounting Standards Codification, to allow respondents to provide comments on both views.

10. On Issue 2, the Task Force reached a consensus-for-exposure that an entity should reflect a stock dividend in EPS in its financial statements on the later of the ex-dividend date or the date the number of shares to be issued is known. The Task Force decided that this guidance should not be limited to stock dividends described in Issue 1 but should apply to all stock dividends.

11. The Task Force also reached a consensus-for-exposure that for the stock dividend portion of a distribution to shareholders described in Issue 1 that has not yet been retroactively reflected in EPS for all periods presented, an entity shall not include the shares to be distributed in the computation of diluted EPS.

12. Paragraph 260-10-50-2 requires disclosure of any transaction that occurs after the end of the most recent period but before the financial statements are issued or are available to be issued that would have changed materially the number of common shares or potential common shares outstanding at the end of the period if the transaction had occurred before the end of the period.

13. In connection with Issue 2, the Task Force reached a consensus-for-exposure that if EPS has not yet been adjusted retroactively for all periods presented to reflect a stock dividend, an entity shall disclose that EPS for all periods presented is subject to change upon settlement of the stock dividend. An entity shall also disclose the number of shares that would be issuable if the settlement of the stock dividend occurred on the reporting date (for example, the number of shares that would be issuable using the period-end market price).

14. The Task Force reached a consensus-for-exposure that the amendments in the proposed Update would be effective for interim and annual reporting periods ending on or after December, 15, 2009, and would be applied on a retrospective basis.

Current EITF Discussion

15. At the November 19, 2009 meeting, the Task Force discussed the comment letters and informal comments received on the proposed Update. The Task Force did not affirm its consensus-for-exposure that the stock portion of a distribution to shareholders that contains components of cash and stock and allows shareholders to select their preferred form of the distribution (with a limit on the amount of cash that will be distributed in total) should be considered a stock dividend. Instead, the Task Force reached a consensus, consistent with the alternative view presented in the proposed Update and comment letter responses, that such a distribution should be accounted for and included in EPS calculations as a share issuance.

16. The Task Force discussed whether to provide guidance on the timing of reflecting stock dividends in EPS. The Task Force decided that because the types of distributions being discussed will not be accounted for as stock dividends, guidance was not necessary to address the timing of reflecting stock dividends in EPS. Therefore, the Task Force did not affirm its consensus-for-exposure that an entity should reflect a stock dividend in EPS in its financial statements on the later of the ex-dividend date or the date the number of shares to be issued is known.

17. Task Force members observed that a distribution to shareholders that contains components of cash and stock and allows shareholders to select their preferred form of the distribution, within limitations specified by the issuer, should be classified as a liability when the entity is obligated to make the distribution in accordance with paragraph 480-10-25-14. Task Force members also observed that such distributions would be included in diluted EPS in accordance with the guidance in paragraphs 260-10-45-45 through 45-47 for contracts that may be settled in stock or cash.

Disclosure

18. Paragraph 260-10-50-2 requires disclosure of any transaction that occurs after the end of the most recent period but before the financial statements are issued or are available to be issued that would have changed materially the number of common shares or potential common shares outstanding at the end of the period if the transaction had occurred before the end of that period. The Task Force decided that no incremental disclosures were necessary for this Issue.

Effective Date, Transition Method, and Transition Disclosures

19. The Task Force affirmed as a consensus that the amendments in the Update shall be effective for interim and annual periods ending on or after December 15, 2009, and would be applied on a retrospective basis.

Board Ratification

20. At the December 2, 2009 meeting, the Board ratified the consensus reached by the Task Force in this Issue.

Status

21. No further EITF discussion is planned.

Issue No. 09-F

Title: Casino Base Jackpot Liabilities

Date Discussed: November 19, 2009

References: FASB Accounting Standards Codification Topic 250, *Accounting Changes and Error Corrections*

FASB Accounting Standards Codification Topic 360, *Accounting for Property, Plant and Equipment*

FASB Accounting Standards Codification Topic 924, *Entertainment - Casinos*

FASB Concepts Statement No. 6, *Elements of Financial Statements*

FASB Staff Position AUG AIR-1, *Accounting for Planned Major Maintenance Activities* (now under Topic 340, Topic 360, and Topic 908)

AICPA Audit and Accounting Guide, *Casinos* (now under Topic 924)

Introduction

1. Jackpots generally fall into either of two categories: non-progressive jackpots or progressive jackpots.

2. *Non-progressive jackpots* are the predetermined fixed payouts depicted on the pay table of the machine (such as payouts based on reel combinations in a mechanical slot machine). In most gaming jurisdictions, gaming entities are allowed to remove or replace any non-progressive slot machine from the casino floor as the gaming entity sees fit. Accordingly, the gaming entity is not required to award any specific payout or combination of payouts on a non-progressive slot machine prior to removing the machine (and related fixed jackpots) from the floor, whether a jackpot has been awarded during the normal reel cycle (the theoretical playing of a slot machine with each possible combination occurring once before there are any repetitions) or not. Rather, gaming regulators require slot machines to operate within their pre-approved payout percentage tolerances, which are programmed into the machine.

3. *Progressive jackpots* are payouts based on the machine's programmed payout percentage and pay table, but the amount of the progressive jackpot increases as customers play the machine. A progressive machine can also have numerous fixed jackpots, similar to a non-progressive machine, that may be won by customers through the normal reel cycle. The *base progressive jackpot* is the base or starting amount of the payout at the beginning of the reel cycle (the time when the machine is first played, or immediately after the progressive jackpot is won). *The incremental amount of a progressive jackpot* is the difference between the total progressive jackpot amount (at a point in time) and the base progressive jackpot amount.

4. In many gaming jurisdictions, gaming entities are required (by law or regulation) to award the incremental amount of a progressive jackpot (in the case of either a single machine or a local-area-linked network) whether the jackpot is won during the normal reel cycle or not. That requirement is based on the concept that the incremental amount was funded by the customers

and therefore must be returned to them. If the gaming entity desires to remove the progressive machine(s) from the floor before the progressive jackpot has been won, gaming regulations typically allow the gaming entity to award the incremental amount in another form, such as either through transfer of the incremental amount to another machine on the gaming entity's floor or through some form of a prize drawing. The base amount of the progressive jackpot is funded by the gaming entity. While not common, some gaming jurisdictions also require the gaming entity to retain and award the base amount of any progressive jackpot, when such machines are removed from the gaming floor, whether a normal reel cycle has occurred or not. Jackpots are typically accrued in advance of the jackpot being won in those situations. As stated above, most gaming jurisdictions require only the incremental amount of a progressive jackpot to be retained and awarded. That has resulted in entities generally accruing the incremental amount of a progressive jackpot with an offset to revenue based on the number of coins played because the gaming entity has a present obligation to award the incremental amount even if the jackpot is not won. For example, each time a one-dollar coin is played, the amount of the jackpot (and, under predominant practice, the casino's liability) is increased by five cents.

5. Diversity in practice has developed on whether casinos accrue for both progressive and non-progressive base jackpots prior to the jackpot being won. Some believe that no accrual is required for base jackpot liabilities if the gaming entity is not required to award the base amount because the entity does not have a present obligation to transfer assets in the future as a result of past transactions or events. They believe that paragraph 924-605-25-1 (formerly paragraph 2.02 of the casinos Guide), supports that notion, which is the underlying principle requiring that revenue be reported on the accrual basis. That paragraph states:

> Casino revenue is reported on the accrual basis. Revenue recognized and reported by a casino is generally defined as a win from gaming activities, that is, the difference between gaming wins and losses, not the total amount wagered.

6. However, others believe that paragraph 924-605-25-2 (formerly paragraph 2.09 of the casinos Guide), must be followed. That paragraph states:

> *Base jackpots* shall be charged to revenue ratably over the period of play expected to precede payout; however, if immaterial, they shall be charged to revenue when established. Any portion of the base jackpot not charged to revenue when the jackpot is paid shall be charged to revenue at that time.

Scope

7. This Issue applies to all entities that generate revenue from gaming activities.

Issue

8. The issue is how an entity should account for base jackpot liabilities if the entity can avoid payment of the jackpot.

Current EITF Discussion

9. At the November 19, 2009 EITF meeting, the Task Force discussed the accounting for base jackpot liabilities for both non-progressive and progressive jackpots if the entity can avoid

payment of the jackpot. The Task Force reached a consensus-for-exposure that entities should not accrue base jackpots if the entity can avoid payment because a base jackpot does not meet the definition of a liability until won. In discussing this Issue, some Task Force members questioned whether the entity had a constructive obligation to award the jackpot, in which case accrual accounting would be required prior to when the jackpot is won. Other Task Force members noted that there are relatively few situations in U.S. generally accepted accounting principles (GAAP) that require accrual of a liability prior to the occurrence of an obligating event. Those Task Force members considered the payment of the jackpot to be similar to other operating expenses that are not accrued until they occur.

Recurring Disclosures

10. The Task Force decided that no additional recurring disclosure requirements should be proposed by this Issue.

Effective Date, Transition Method, and Transition Disclosures

11. The Task Force reached a consensus-for-exposure that this Issue shall be effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010. This Issue would be applied by recording a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption.

Board Ratification

12. At the December 2, 2009 meeting, the Board ratified the consensus-for-exposure reached by the Task Force in this Issue and approved the issuance of a proposed Accounting Standards Update (proposed Update) to the Accounting Standards Codification for a public comment period.

Status

13. The proposed Update will be posted to the FASB website no later than December 16, 2009. Comments on the proposed Update are due no later than February 12, 2010. Further discussion is expected at a future meeting.

Issue No. 09-G

Title: Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts

Date Discussed: November 19, 2009

References: FASB Accounting Standards Codification Topic 944, *Financial Services – Insurance*

FASB Accounting Standards Codification Topic 720, *Other Expenses*

FASB Accounting Standards Codification Topic 310, *Receivables*

FASB Accounting Standards Codification Topic 250, *Accounting Changes and Error Corrections*

FASB Statement No. 60, *Accounting and Reporting by Insurance Enterprises* (now under Topic 944)

FASB Statement No. 91, *Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases* (now under Topic 310)

FASB Statement No. 97, *Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments* (now under Topic 944)

FASB Statement No. 154, *Accounting Changes and Error Corrections* (now under Topic 250)

AICPA Statement of Position 93-7, *Reporting on Advertising Costs* (now under Topic 720)

Introduction

1. Insurance entities often incur costs that meet the definition of acquisition costs included in Topic 944. The Glossary of Subtopic 944-30 defines acquisition costs as:

> Costs incurred in the acquisition of new and renewal insurance contracts. Acquisition costs include those costs that vary with and are primarily related to the acquisition of insurance contracts.

2. The implementation guidance in paragraph 944-30-55-1 provides the following three examples of acquisition costs that "vary with and are primarily related to" insurance contracts issued or renewed during the period in which those costs are incurred:

a. Agent and broker commissions
b. Salaries of certain employees involved in the underwriting and policy issue functions
c. Medical and inspection fees.

3. Costs incurred by insurance entities that meet the definition of acquisition costs in Topic 944 are recognized as assets and are commonly referred to as deferred acquisition costs, or DAC. DAC assets are amortized over time using methods of amortization dependent upon the nature of the underlying insurance product (that is, proportional to revenues, based on a contract's estimated gross profit, or based on a contract's estimated gross margin). Other costs, such as those relating to investments, general administration, and policy maintenance that do not vary with and are not primarily related to the acquisition of new and renewal insurance contracts are charged to expense as incurred.

4. The accounting policies for DAC of insurance entities have varied in practice. That diversity can be partially attributed to interpretations of the phrase "vary with and are primarily related to" within the definition of acquisition costs. For example, some constituents believe that only costs that are both direct and incremental and that were incurred as a result of obtaining new or renewal contracts should be considered acquisition costs. Some constituents believe that only the costs incurred that are directly related to activities undertaken in the obtaining of new or renewal contracts should be considered acquisition costs. Others believe that only a causal relationship needs to exist for the costs to meet the criteria in the definition of acquisition costs.

5. As a result of the diversity in practice relating to the interpretation of what costs qualify as acquisition costs within the insurance industry, certain constituents initially raised the question of whether advertising costs meet the definition of acquisition costs. However, given that the conceptual issue of how to interpret the phrase, "vary with and are primarily related to" is broader and applies to more than advertising costs, this Issue is not limited to advertising costs.

Issue

6. The Issue is what types of costs should be included in the definition of acquisition costs for the acquisition of new or renewal insurance contracts.

Scope

7. This Issue is applicable to insurance entities that are within the scope of Topic 944 (which, as stated in paragraph 944-10-15-2, includes but is not limited to stock life insurance entities, mutual life insurance entities, and property and liability insurance entities) that incur costs in the acquisition of new and renewal insurance contracts.

Current EITF Discussion

8. At the November 19, 2009 EITF meeting, the Task Force reached a consensus-for-exposure on this Issue that acquisition costs should include only those costs that are directly related to the acquisition or renewal of insurance contracts by applying a model similar to the accounting for loan origination costs in Subtopic 310-20.

9. The Task Force also clarified that this definition would not include any costs related to unsuccessful contract acquisition efforts. Additionally, the Task Force agreed that advertising costs incurred by insurance entities should not be included in deferred acquisition costs but rather should follow the guidance for advertising costs in Topic 720 or Subtopic 340-20, as applicable. Accordingly, advertising costs incurred by insurance entities would only be capitalized if they qualify as capitalized advertising costs under Subtopic 340-20.

10. In discussing this Issue, some Task Force members indicated that they believe that only costs that are both direct and incremental and are incurred as a result of obtaining new or renewal contracts should be considered acquisition costs, while others preferred expensing all contract acquisition costs, which is similar to the Board's current view in its joint insurance project with the IASB. Other Task Force members favored aligning the nature of capitalizable costs in contract acquisition activities with those capitalizable costs of loan origination activities in Topic 310. That model encompasses both direct and incremental costs as well as certain additional direct costs incurred to complete successful contract acquisitions or renewals. Some Task Force members noted that the loan origination model does not permit capitalization of costs relating to unsuccessful loan efforts, which, if applied by insurance companies, would result in a significant change from current practice. Other Task Force members questioned the conceptual basis for how costs relating to unsuccessful contract acquisition efforts could be considered to provide a future economic benefit to warrant asset recognition.

Recurring Disclosures

11. The Task Force reached a consensus-for-exposure to revise the recurring disclosure requirements of paragraph 944-30-50-1 and that it be changed to the following (added text is <u>underlined</u>):

> Insurance entities shall disclose all of the following in their financial statements:
>
> a. The nature <u>and type</u> of **acquisition costs** capitalized
> b. The method of amortizing capitalized acquisition costs
> c. The amount of acquisition costs amortized for the period.

Effective Date, Transition Method, and Transition Disclosures

12. The Task Force reached a consensus-for-exposure that this Issue shall be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2010. Early adoption would be permitted. The consensus requires prospective application upon the date of adoption. Retrospective application to all prior periods upon the date of adoption is also permitted, but not required.

13. The transition disclosures in paragraph 250-10-50-1 through 50-3 would be required.

Board Ratification

14. At the December 2, 2009 meeting, the Board ratified the consensuses-for-exposure reached by the Task Force in this Issue and approved the issuance of a proposed Accounting Standards Update (proposed Update) to the Accounting Standards Codification for public comment.

Status

15. The proposed Update will be posted to the FASB website no later than December 16, 2009. Comments on the proposed Update are due no later than February 12, 2010. Further discussion is expected at a future meeting.

Issue No. 09-I

Title: Effect of a Loan Modification When the Loan Is Part of a Pool That Is Accounted for as a Single Asset

Date Discussed: November 19, 2009

References: FASB Accounting Standards Codification Topic 310, *Receivables*

FASB Statement No. 15, *Accounting by Debtors and Creditors for Troubled Debt Restructurings* (now under Topic 310 and Topic 470)

AICPA Statement of Position 03-3, *Accounting for Certain Loans and Debt Securities Acquired in a Transfer* (now under Topic 310)

International Accounting Standard 39, *Financial Instruments: Recognition and Measurement*

Introduction

1. Subtopic 310-30 provides guidance on accounting for acquired loans that have evidence of credit deterioration upon acquisition. Paragraph 310-30-15-6 allows for acquired assets with "common risk characteristics" to be accounted for in the aggregate as a pool. Upon establishment of the pool, the pool becomes the unit of accounting. When loans are accounted for as part of a pool, the purchase discount is not allocated to individual loans, thus all of the loans in the pool accrete at a pool rate (based on cash flow projections for the pool). Under Subtopic 310-30, the impairment analysis is also performed on the pool as opposed to each individual loan.

2. Paragraphs 310-40-15-4 through 15-12 (formerly, Statement 15) establish the criteria for evaluating whether a loan modification should be classified as a troubled debt restructuring (TDR). Specifically, paragraph 310-40-15-5 states, "A restructuring of a debt constitutes a troubled debt restructuring for purposes of this Subtopic if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider."

3. Some in practice have questioned whether TDR accounting applies when acquired loans with credit deterioration are accounted for within a pool. If the loan modification is a TDR, some entities believe that the modified loan should be removed from the pool (or that the entire pool should be accounted for as a TDR). Once it is removed from the pool, the loan would no longer be accounted for under Subtopic 310-30. Other entities believe that a loan modification that is a TDR should not result in removal of that loan from the pool.

4. If an entity concludes that a modification of a loan that had evidence of credit deterioration at acquisition and that has been accounted for as part of a pool results in a TDR, there is a question as to how the removal of the modified loan from the pool should be performed—specifically, whether the entity should use the effective rate for the individual loan or the effective rate of the pool.

Scope

5. The scope of this Issue includes modifications of loans within a group of loans accounted for as a pool established in accordance with paragraph 310-30-15-6.

6. Modifications of loans accounted for as individual assets under Subtopic 310-30 or of loans that do not fall within the scope of Subtopic 310-30 are not within the scope of this Issue.

Issues

7. The issues are:

Issue 1— Whether entities that have modified acquired loans with deteriorated credit quality that were initially accounted for as part of a pool in accordance with paragraph 310-30-15-6 should apply the TDR guidance in paragraphs 310-40-15-4 through 15-12.

Issue 2— If the Task Force reaches a consensus-for-exposure on Issue 1 that modified acquired loans should be removed from the pool if the modification would be a TDR, whether entities should use the pool's effective rate or the individual loan's effective rate to determine the carrying value of the modified loan to be removed from the pool.

Current EITF Discussion

8. At the November 19, 2009 EITF meeting, the Task Force reached a consensus-for-exposure on Issue 1 that an entity should not apply TDR accounting guidance to loans accounted for as a pool under Subtopic 310-30. Some Task Force members indicated that they believe that once a pool is established, individual loans should not be removed from the pool unless the entity sells, forecloses, or otherwise receives assets in satisfaction of the loan or upon write-off of the loan in accordance with paragraph 310-30-40-1. Those Task Force members noted that Subtopic 310-30 precludes refinancings and restructurings that are not TDRs from being considered new loans. Those Task Force members also indicated that they believe that a TDR in the form of a modification or restructuring results in a continuation of the prior loan rather than the creation of a new loan and, accordingly, assets have not been received to satisfy the debt.

9. Some Task Force members observed that some modifications could result in an entity re-establishing the borrower's contractual obligation to an amount that the entity anticipated collecting at the time of the purchase of the loan. The Task Force did not believe that such modifications should result in the removal of the loans from the pool.

10. Finally, the Task Force noted that, to the extent that a significant level of modifications within a pool caused a deterioration in the cash flows expected from the pool, an impairment of the pool would likely occur under Subtopic 310-30.

11. Some Task Force members noted that the accounting for modifications of loans accounted for within a pool under Subtopic 310-30 was inconsistent with the treatment of a loan that is economically similar at the time of modification, but that was originated by an entity rather than acquired in a purchase. Those Task Force members expressed concern that over time, the loans within a pool may no longer have similar economic characteristics and that over-performing loans may mask the underperformance of other loans. The Task Force acknowledged the inconsistency, but noted that they believe accounting inconsistencies between originated and

purchased loans, including whether pooled asset accounting should continue to be permitted, would be better addressed in the FASB's ongoing financial instruments project.

12. Because of the conclusion reached on Issue 1, the Task Force did not discuss Issue 2; however, the Task Force requested that a question be included within the proposed Accounting Standards Update (proposed Update) to the Accounting Standards Codification, on whether constituents need further guidance on how to measure the carrying amount of a loan that is removed from a pool when the entity receives assets in satisfaction of the debt or upon write-off of the loan.

Recurring Disclosures

13. The Task Force decided at this time not to propose any additional recurring disclosures for modified loans that continue to be accounted for as a pool under Subtopic 310-30. During its discussion, the Task Force recommended that the Board's project related to loan loss disclosures could address concerns of users with regards to providing further transparency regarding loans accounted for under Subtopic 310-30, including enhancing disclosures for loans accounted for within a pool. The Task Force requested that the proposed Update include a question for constituents about what disclosures would provide useful information to users relating to loans accounted for as a pool.

Effective date, Transition Method, and Transition Disclosures

14. The Task Force reached a consensus-for-exposure that this Issue shall be effective for modification of loans accounted for within a pool under Subtopic 310-30 beginning in the first interim period after the amendments in the proposed Update are made to the Accounting Standards Codification. The amendments would be applied on a prospective basis only. Early application is permitted. The Task Force requested that the proposed Update include a question for constituents about whether an entity should be provided with a one-time election to change the unit of accounting from a pool basis to an individual loan basis for outstanding pools upon adoption of the amendments in the proposed Update.

Board Ratification

15. At the December 2, 2009 meeting, the Board ratified the consensus-for-exposure reached by the Task Force for this Issue and approved the issuance of a proposed Update for a public comment period.

Status

16. The proposed Update will be posted to the FASB website no later than December 16, 2009. Comments on the proposed Update will be due no later than February 12, 2010. Further discussion is expected at a future meeting.

Issue No. 09-J

Title: Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades

Date Discussed: November 19, 2009

References: FASB Accounting Standards Codification Topic 250, *Accounting Changes and Error Corrections*

FASB Accounting Standards Codification Topic 480, *Distinguishing Liabilities from Equity*

FASB Accounting Standards Codification Topic 718, *Compensation—Stock Compensation*

FASB Accounting Standards Codification Topic 815, *Derivatives and Hedging*

FASB Statement No. 123(R), *Share-Based Payment* (now under Topic 718)

APB Opinion No. 25, *Accounting for Stock Issued to Employees* (now under Topic 718)

EITF Issue No. 07-5, "Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock" (now under Topic 815)

EITF Issue No. 00-23, "Issues Related to the Accounting for Stock Compensation under APB Opinion No. 25 and FASB Interpretation No. 44" (now under Topic 718)

International Financial Reporting Standard 2, *Share-Based Payments*

Introduction

1. Public companies often grant employee stock options with exercise prices denominated in the currency in which the underlying equity securities trade. In some cases, particularly for companies that regularly raise capital outside of their home country, this is a different currency from the functional currency of the issuer, the functional currency of the subsidiary employing the employee, or the payroll currency of the employee recipient. For instance, a public company doing business primarily in Canada with a Canadian-dollar functional currency may have its equity shares traded only on a U.S. stock exchange where trading is denominated in U.S. dollars. If such a Company granted employee stock options with an exercise price fixed in U.S. dollars to employees whose pay is denominated in Canadian dollars, there is a question as to whether such awards should be classified as equity or liability awards.

2. Topic 718 provides guidance on the classification of a share-based payment award as either equity or a liability. However, that guidance does not explicitly indicate which currency to evaluate when determining whether an award is indexed to a factor in addition to the entity's share price. Paragraph 718-10-25-13 indicates that "an award may be indexed to a factor in addition to the entity's share price. If that additional factor is not a market, performance, or service condition, the award shall be classified as a liability for purposes of this Topic…."

Paragraph 718-10-25-14 goes on to specify acceptable exercise price currencies for awards to employees of an employer's foreign operation:

> For this purpose, an award of equity share options granted to an employee of an entity's foreign operation that provides for a fixed exercise price denominated either in the foreign operation's functional currency or in the currency in which the employee's pay is denominated shall not be considered to contain a condition that is not a market, performance, or service condition.

3. However, Topic 718 does not specify the ordinary currency of a share-based payment award that would be consistent with equity classification. Rather, when read in the context of the stock compensation guidance, it appears that paragraph 718-10-25-14 was designed to provide an exception to the guidance on liability classification of an award. However, Topic 718 does not address which currency denomination is the base case that would be consistent with equity classification. Some constituents have interpreted the basis for conclusions of Statement123(R) to allow an award with an exercise price denominated in the currency of the market in which the underlying equity instrument primarily trades to qualify for equity classification.

4. In the absence of specific authoritative guidance, diversity in practice has developed. Some entities consider that the base case is the functional currency of the issuer. Others consider the base case to be the currency in which the issuer's shares primarily trade. As a result, similar share-based payment awards may be classified differently by entities as either a liability or equity. This latter interpretation has developed largely from the view that "typical" share-based awards should be considered to be within the guidance of Topic 718 and not within other financial instrument interpretations. Further, the literature surrounding the development of Topic 718 has viewed the relationship between share-based awards and the employer as unique. Thus, it is not unusual that the accounting for share-based payments has different applications than the accounting for financial instruments.

Issue

5. The issue is whether denominating the exercise price of an employee share-based payment award in the currency in which the underlying stock trades results in liability treatment if the trading currency is different from the functional currency of the issuer, the functional currency of the subsidiary employing the employee, or the payroll currency of the employee receiving the option.

Scope

6. This Issue applies to share-based payment awards within the scope of Topic 718.

Current EITF Discussion

7. At the November 19, 2009 EITF meeting, the Task Force reached a consensus-for-exposure on this Issue that an employee share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity's equity securities trades should be considered an equity award assuming all other criteria for equity classification are met.

8. Certain Task Force members indicated that they believe that a share-based award with an exercise price denominated in a currency other than the functional currency of the foreign operations or in the currency in which an employee is paid should not be eligible for equity classification because they consider the award to contain a condition that is not a market, performance, or service condition. Those Task Force members indicated that they believe such an award contains an "other condition" because it is dual-indexed and, therefore, is required to be liability classified. Those Task Force members also noted that allowing a share-based payment award with this characteristic to be equity classified is not consistent with dual-indexation guidance in U.S. generally accepted accounting principles (GAAP) for other equity-linked financial instruments. They also indicated that they believe that any exception to the liability guidance should be related to a factor associated with the employment relationship.

9. Other Task Force members indicated that they believe a share-based award with an exercise price denominated in the currency of the market in which the underlying security trades is not precluded from equity classification because they believe that this condition is a market condition. Those Task Force members also indicated that Subtopic 815-40, which contains the guidance on indexation for equity-linked financial instruments, clearly scopes out share-based awards.

10. Several Task Force members indicated that the term "primarily" may be too restrictive when identifying a market that would permit an entity to apply this proposed guidance. Those Task Force members believe that equity treatment should be appropriate as long as the award is denominated in the currency of a market in which a substantial portion of the entity's equity securities trades. The Task Force decided to use the term *substantial portion of* to describe the level of an entity's equity in a market that would meet the qualifications to apply this guidance. Certain Task Force members indicated that revising the words allows an entity to appropriately apply the principle of the proposed guidance, while limiting the potential abuse.

Recurring Disclosure

11. During the Task Force's deliberations, no additional recurring disclosure requirements were recommended for exposure. However, the Task Force did agree to reference the current disclosures required by Topic 718 in the proposed Accounting Standards Update (proposed Update) to the Accounting Standards Codification.

Effective Date, Transition Method, and Transition Disclosures

12. The Task Force reached a consensus-for-exposure that this Issue shall be effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010. The consensus-for-exposure would be applied by recording a cumulative effect adjustment to the opening balance of retained earnings for all outstanding awards as of the beginning of the fiscal year in which the amendments in the proposed Update are initially applied.

13. Early adoption is permitted. If an entity elects early adoption and the period of adoption is not the first reporting period of the entity's fiscal year, the entity would be required to apply the guidance retrospectively from the beginning of the entity's fiscal year.

14. The transition disclosures in paragraphs 250-10-50-1 through 50-3 would be required.

Board Ratification

15. At the December 2, 2009 meeting, the Board ratified the consensuses-for-exposure reached by the Task Force in this Issue and approved the issuance of a proposed Update for public comment.

Status

16. The proposed Update is expected to be posted to the FASB website no later than December 16, 2009. Comments on the proposed Update will be due no later than February 12, 2010. 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 17–18, 2010 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
08-9	Milestone Method of Revenue Recognition	10/08	11/08, 3/09, 6/09, 9/09	3/10	Uhl	Cadambi/ Bonn	The FASB staff will prepare a Working Group Report for a future meeting	January 21, 2009 Education Session, March 17–18, 2010 EITF meeting
09-B	Consideration of an Insurer's Accounting for Majority-Owned Investments When the Ownership Is through a Separate Account	1/09	9/09, 11/09	3/10	Pippolo	Brower/ Bonn	The FASB staff will prepare an Issue Supplement for a future meeting pending outcome of Proposed Accounting Standards Update—*Consolidation* (Topic 810): *Amendments to Statement 167 for Certain Investment Funds*	March 17–18, 2010 EITF meeting

Issue No.	Description	Date Added	Date(s) Discussed	Next Meeting	EITF Liaison	FASB Staff	Immediate Plans	Due Date - Next Deliverable
09-D	Application of the AICPA Audit and Accounting Guide, *Investment Companies*, by Real Estate Investment Companies	2/09		3/10	Schroeder	Yang/ Mills	The FASB staff will prepare a Working Group Report for a future meeting	January 21, 2009 Education Session, March 17–18, 2010 EITF meeting
09-F	Casino Base Jackpot Liabilities	10/09	11/09	3/10	Pippolo	Helmus/ Cadambi	The FASB staff will prepare an Issue Supplement for a future meeting	March 17–18, 2010 EITF meeting
09-G	Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts	10/09	11/09	3/10	Bielstein	Brower/ Bonn	The FASB staff will prepare an Issue Supplement for a future meeting	March 17–18, 2010 EITF meeting
09-H	Accounting by Healthcare Organizations (Presentation of Insurance Claims and Related Insurance Recoveries; Revenue Recognition; and Measuring Charity Care for Disclosure)	10/09		03/10	Hanson	Hildebrand/ Farber	The FASB staff will prepare an Issue Supplement for a future meeting	January 21, 2009 Education Session, March 17–18, 2010 EITF meeting

Issue No.	Description	Date Added	Date(s) Discussed	Next Meeting	EITF Liaison	FASB Staff	Immediate Plans	Due Date - Next Deliverable
09-I	Effect of a Loan Modification When the Loan Is Part of a Pool That Is Accounted for as a Single Asset	10/09	11/09	3/10	Uhl	Gonzalez/ Mills	The FASB staff will prepare an Issue Supplement for a future meeting	March 17–18, 2010 EITF meeting
09-J	Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades	10/09	11/09	3/10	Hauser	Homant/ Inzano	The FASB staff will prepare an Issue Supplement for a future meeting	March 17–18, 2010 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 Issue be removed 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, *Brokers and Dealers in Securities*	8/06	11/06	Not scheduled	TBD	Pending the outcome of the Board's project to amend ARB No. 43, *Restatement and Revision of Accounting Research Bulletins*.	Future EITF Meeting
08-10	Selected Statement 160 Implementation	10/08	11/08, 1/09	Not scheduled	TBD	Pending the outcome on the Board's project to reconsider the scope of FASB Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements*.	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**
09-4	Seller Accounting for Contingent Consideration	5/09	6/09, 9/09	TBD	TBD	No further EITF discussion is expected on this Issue	Future Agenda Committee meeting
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