MINUTES

To:	Board Members
From:	Biittner (x462)
Subject:	Minutes of the May 17, 2010 Board Meeting: Revenue Recognition
Date:	May 18, 2010
cc:	Sutay

The Board meeting minutes are provided for the information and convenience of constituents who want to follow the Board's deliberations. All of the conclusions reported are tentative and may be changed at future Board meetings. Decisions become final only after a formal written ballot to issue an Accounting Standards Update or a Statement of Financial Accounting Concepts.

Topic:	Repurchase agreements and Sales of assets that are not an output of an entities ordinary activities
Basis for Discussion:	FASB Memorandums No. 131A and 131B
Length of Discussion:	8:00 to 9:15 a.m.

Attendance:

Board members present:	FASB: Herz, Linsmeier, Seidman, Siegel, and Smith
	IASB: Cooper, Danjou, Engström, Finnegan, Garnett, Gelard, Gomes, Kalavacherla, Leisenring, McConnell, McGregor, Smith, Yamada, and Wei-Guo
Board members absent:	IASB: Tweedie
Staff in charge of topic:	FASB: Bement and Cadambi
Other staff at Board table:	FASB: Golden, Proestakes, and Theilken
	IASB: Rees, Brady, Pitman, and Kapsis
Outside participants:	None

<u>Type of Document and Timing Based on the Technical Plan</u>:

The Board met to discuss issues relating to the development of an Exposure Draft. The Board's technical plan calls for that document to be issued in the second quarter of 2010.

<u>Summary of Decisions Reached</u>:

The Boards considered:

1. Repurchase agreements
2. Sales of assets that are not an output of an entity's ordinary activities.

Repurchase Agreements

The Boards tentatively decided that the forthcoming Exposure Draft will explain how an entity would determine whether a buyer obtains control of an asset subject to a repurchase agreement.

1. If a buyer has the unconditional right to require the entity to repurchase the asset (a put option), the buyer obtains control of the asset and the entity should account for the agreement similarly to the sale of a product with a right of return.
2. If an entity has an unconditional obligation or unconditional right to repurchase the asset (a forward or a call option), the buyer does not obtain control of the asset. The entity should account for the repurchase agreement as:
    a. A lease in accordance with *FASB Accounting Standards Codification*™ Topic 840 on leases or IAS 17, *Leases,* if the entity repurchases the asset for less than the original sales price of the asset (that is, the buyer pays a net amount of consideration to the entity)
    b. A financing arrangement if the entity repurchases the asset for more than the original sales price of the asset (that is, the entity pays a net amount of consideration to the buyer).
3. If the sale and repurchase agreement is a financing arrangement, the entity should continue to recognize the asset and should recognize a financial liability for any consideration received from the buyer. The entity should recognize the difference between the amount of consideration received from the buyer and the amount of consideration paid to the buyer as interest and, if applicable, holding costs (for example, insurance).

The FASB tentatively decided to remove from the Accounting Standards Codification Subtopic 470-40 on product financing arrangements.

Board Vote:

FASB: 5 for, 0 against

IASB: 11 for, 3 against, 1 absent

Sales of Assets That Are Not an Output of an Entity's Ordinary Activities

The Boards tentatively decided that an entity should apply the recognition and measurement principles of the proposed revenue model to contracts for the sale of the following assets that are not an output of the entity's ordinary activities:

1. Intangible assets within the scope of Topic 350 on goodwill and other intangible assets or IAS 38, *Intangible Assets*
2. Property, plant, and equipment within the scope of Topic 360 on property, plant, and equipment; IAS 16, *Property, Plant and Equipment;* or IAS 40, *Investment Property*.

Consequently, the entity would:

1. Derecognize the asset when the buyer obtains control of the asset.
2. Recognize at that date a gain or loss equal to the difference between the transaction price and the carrying amount of the asset. The transaction price would be limited to amounts that can be reasonably estimated at the date of transfer.

Board Vote:

FASB: 5 for, 0 against

IASB: 12 for, 3 against

Next Steps

The Boards plan to publish the Exposure Draft in June.

General Announcements: None