

MINUTES



To: FASB Board Members

From: Consolidations Team (Phillips, x443)

Subject: Minutes of the April 20, 2010 Board Meeting: Consolidations **Date:** May 24, 2010

cc: FASB: Golden, Bielstein, Lott, Proestakes, Stoklosa, Mechanick, Roberge, Farber, Phillips, Andrews, C. Smith, Brickman, Hood, Glotzer, Gabriele, Sutay, FASB Intranet, McGarity, Klimek FASAC: Chookaszian, Posta, Guasp; GASB: Finden, Avis; IASB: Leisenring, Francis, Knubley, Lian, Vatrejnak, Kim

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: Consolidations

Basis for Discussion: FASB Memo No. 19—Investment Companies

Length of Discussion: 12:00 PM to 1:45 AM (EDT)

Attendance:

Board members present: IASB: Cooper, Danjou, Engström, Finnegan, Gélard, Gomes, McConnell, McGregor, and J. Smith

Board members participating via videoconference:

FASB: Herz, Linsmeier, Seidman, Siegel, L. Smith
IASB: Tweedie, Leisenring, Yamada, and Zhang

Board members participating via teleconference:

IASB: Garnet and Kalavacherla

Board members absent: None

Staff in charge of topic: FASB: Roberge
IASB: Buchanan

Other staff at Board table: IASB: Lloyd, Buschhueter, and Ruane

Staff participating via videoconference:

FASB: Golden, Stoklosa, Farber, Andrews, and
Phillips
IASB: Teixeira

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Board met to discuss issues relating to the development of a proposed Accounting Standards Update addressing consolidations.

The Board's technical plan calls for the document to be issued in June 2010.

Summary of Decisions Reached:

At the February 2010 joint Board meeting, the IASB and the FASB tentatively decided that an investment company should measure its investments in entities that it controls at fair value through profit or loss. This is consistent with current U.S. GAAP, but a change to the approach in IFRS.

At this meeting, the Boards continued to deliberate the definition of an investment company and tentatively decided that an investment company is an entity that meets all of the following criteria:

1. Express business purpose. The express business purpose of an investment company is investing for current income, capital appreciation, or both.
2. Exit strategy. The entity has identified potential exit strategies and a defined time (or range of dates) at which it expects to exit the investment.
3. Investment activity. Substantially all of the entity's activities are investment activities carried out for the purposes of generating current income, capital appreciation, or both. The entity and its affiliates shall not obtain benefits from its investees that would be unavailable to other investors or unrelated parties of the investee.

4. Unit ownership. Ownership in the entity is represented by units of investments.
5. Pooling of funds. The funds of the entity's owners are pooled to avail owners of professional investment management.
6. Fair value. All of the investments are managed, and their performance evaluated (both internally and externally), on a fair value basis.
7. Reporting entity. The entity must be a reporting entity.
8. Debt. Any providers of debt to the investees of the entity shall not have direct recourse to any of the entity's other investees.

The Boards asked the staff to clarify some aspects of the criteria in drafting. In particular, the Boards asked that it be clear that significant third-party investment is required for an entity to be an investment company.

The Boards also tentatively decided that the fair value measurement basis for controlled investees applied by an investment company should be retained in the consolidated financial statements of a parent of an investment company.

Transition Requirements

The FASB tentatively decided that an entity currently applying the investment company guidance in Topic 946 of the FASB Accounting Standards Codification™ should discontinue the application of this guidance if it no longer qualifies as an investment company. This change should be applied prospectively from the date the revised consolidation requirements are first applied. For those investees that are required to be consolidated as a result of an entity no longer qualifying as an investment company, the entity should apply the same transition guidance for all other entities that will be required to be consolidated as a result of the revised consolidation requirements.

Both the IASB and the FASB tentatively decided that an entity that was not previously considered an investment company, but meets the new definition of an investment company, should recognize its investments in entities that it controls at fair value on the date that it first applies the revised consolidation requirements, with an adjustment made to retained earnings.

General Announcements: None