

MINUTES



To: FASB Board Members

From: Consolidations Team (Phillips, x443)

Subject: Minutes of the June 1, 2010 Board Meeting: Consolidations **Date:** June 2, 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, Lloyd, Buchanan, Buschhueter, Ruane

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. 28—Disclosures Principles
FASB Memo No. 29—Disclosures Sweep Issues

Length of Discussion: 10:30 AM to 12:00 AM (EDT)

Attendance:

Board members present: IASB: Tweedie, Cooper, Danjou, Engström, Finnegan, Garnet, Gélard, Gomes, Kalavacherla, Leisenring, McConnell, and Zhang

FASB: Herz, Linsmeier, Seidman, Siegal, L. Smith

Board members participating via teleconference:

IASB: J. Smith and McGregor

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

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

Staff participating via videoconference:

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

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.

Summary of Decisions Reached:

The Boards discussed the disclosure requirements for consolidated subsidiaries and unconsolidated structured entities. The Boards tentatively decided that the final disclosure requirements should include a list of disclosure objectives. Specifically, the Boards decided that a reporting entity should disclose information that helps users of financial statements understand:

- (a) The significant judgments and assumptions (and changes to those judgments and assumptions) made by the reporting entity in determining whether it controls (or does not control) another entity and/or the reporting entity's involvement with structured entities
- (b) The interest that the noncontrolling interests have in the group's activities
- (c) The effect of restrictions on the reporting entity's ability to access and use assets or settle liabilities of consolidated entities, as a result of where the assets or liabilities are held in the group
- (d) The nature of, and changes in, the risks associated with the reporting entity's control of consolidated structured entities or involvement with unconsolidated structured entities.

To achieve these objectives, in addition to the disclosures discussed at previous meetings, the Boards tentatively decided that:

1. When a reporting entity has an arrangement that could require the reporting entity to provide financial support to a consolidated structured

- entity (for example, liquidity arrangements and obligations to purchase assets), the reporting entity should disclose the terms of the arrangement, including events or circumstances that could expose the reporting entity to a loss.
2. When a reporting entity is involved with unconsolidated structured entities, the reporting entity should disclose:
 - (i) The carrying amount of the assets and liabilities recognized in the reporting entity's consolidated financial statements relating to the involvement
 - (ii) The line items in the consolidated statement of financial position in which those assets and liabilities are recognized
 - (iii) The amount that best represents the reporting entity's maximum exposure to loss from that involvement, including how the maximum exposure to loss is determined (if a reporting entity cannot quantify its maximum exposure to loss from its involvement with unconsolidated structured entities, it must disclose that fact)
 - (iv) A comparison of the carrying amount of the assets and liabilities of the reporting entity that relate to the reporting entity's involvement with unconsolidated structured entities and the reporting entity's maximum exposure to loss.

The Boards asked the staff to conduct further research on the scope of these disclosure requirements for involvement with structured entities and to determine whether the disclosures required for involvement with structured entities should apply to involvement with all entities.

General Announcements: None