MINUTES

Financial Accounting Standards Board

To:	Board Members		
From:	Stoviak (x471)		
Subject:	Minutes of the Feburary 1, 2011 Joint Board Meeting	**Date:**	Feburary 7, 2011
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: Revenue Recognition: Accounting for Product Warranties

Basis for Discussion: FASB Memorandums 136A and Addendum to 136A

Length of Discussion: 8:00 a.m. to 9:00 a.m. EST

Attendance:

Board members present:	FASB: Seidman, Golden, Linsmeier, Siegel, and Smith IASB: Tweedie, Cooper, Finnegan, Gomes, Kalavacherla, McGregor, Pacter, Scott, Smith, Yamada, and Wei-Guo
Board members absent:	IASB: Engström, Danjou, König, and McConnell
Staff in charge of topic:	FASB: Bement and Eckerle IASB: Rees
Other staff at Board table:	FASB: Cadambi, Hood, Breen, and Stoviak IASB: Brady and Pitman
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 a final standard. The Board's technical plan calls for that document to be issued in the second quarter of 2011.

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

The FASB and the IASB continued their redeliberations of the Exposure Draft, *Revenue from Contracts with Customers*, by discussing the accounting for warranties.

The Boards decided that an entity should account for some warranties as a warranty obligation (that is, as a cost accrual) in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or *FASB Accounting Standards Codification*® Topic 450, Contingencies. To determine which warranties an entity would account for as a cost accrual, the Boards decided that:

1. If a customer has the option to purchase a warranty separately from the entity, the entity should account for the warranty as a separate performance obligation. Hence, the entity would allocate revenue to the warranty service.

2. If a customer does not have the option to purchase a warranty separately from the entity, the entity should account for the warranty as a cost accrual unless the warranty provides a service to the customer in addition to assurance that the entity's past performance was as specified in the contract (in which case the entity would account for the warranty service as a separate performance obligation).

The Boards also decided to develop implementation guidance to help an entity determine when a warranty provides a service to the customer in addition to assurance that the entity's past performance was as specified in the contract.

<u>General Announcements</u>: None.