

MINUTES



To: Board Members
From: Eckerle (x462)
Subject: Minutes of March 1, 2011
Joint Board Meeting: Revenue Recognition
Date: March 8, 2011
cc: Sutay

The Board meeting minutes are provided for the information and convenience of constituents who want to follow the Boards' 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: Onerous Contracts

Basis for Discussion: FASB Memorandums 138 and 138A

Length of Discussion: 7:00 to 8:00 a.m. EST

Attendance:

Board members present: FASB: Seidman, Buck, Golden, Linsmeier, Schroeder, Siegel, and Smith
IASB: Tweedie, Cooper, Danjou, Engström, Finnegan, Gomes, Kalavacherla, König, McConnell, McGregor, Pacter, Scott, Smith, Yamada, and Zhang

Board members absent: None

Staff in charge of topic: FASB: Bement
IASB: Rees and McManus

Other staff at Board table: FASB: Breen, Cadambi, Eckerle, Gagnon, Hood, Stoviak, and Proestakes
IASB: Brady and Pitman

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Boards met to discuss issues relating to the development of a final standard. The Boards' technical plan calls for that document to be issued in the second quarter of 2011.

Summary of Decisions Reached:

The IASB and the FASB continued their discussion from February 2011 on how an entity would test a contract to determine whether it is onerous.

The Boards tentatively decided that the onerous test should apply to all contracts, including those that are intentionally priced at a loss in expectation of profits to be generated on subsequent contracts with the customer (that is, "loss-leader" contracts).

The Boards tentatively affirmed the proposal in the Exposure Draft, *Revenue from Contracts with Customers*, that the costs to be included in the onerous test and in measuring an onerous liability should be the costs that relate directly to satisfying the remaining performance obligations (as described in paragraph 58 of the Exposure Draft). The Boards observed that when an entity is committed to cancelling a contract and has the contractual right to do so, the costs would reflect the amount that the entity would have to pay to cancel the contract (for example, the amount it would have to refund the customer, including any penalties). The Boards also observed that cancelling the contract may give rise to other obligations that would be accounted for in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or Topic 450, *Contingencies*, of the *FASB Accounting Standards Codification*[®].

General Announcements: None