MINUTES

Financial Accounting Standards Board

To:	Board Members
From:	Consolidations Team (Axt, x447)
Subject:	Minutes of the March 9, 2011 Board Meeting: Consolidations – Voting Interest Entities
Date:	March 10, 2011
cc:	FASB: Cosper, Bielstein, Lott, Proestakes, Stoklosa, Mechanick, Roberge, Farber, Handy, Axt, Raichilson, C. Smith, Brickman, Hood, Glotzer, Gabriele, Sutay, FASB Intranet, McGarity, Klimek. FASAC: Chookaszian, Posta, Guasp; GASB: Finden, Avis. IASB: Teixeira, Lloyd, Streckenbach

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: Consolidation – Voting Interest Entities

Basis for Discussion: FASB Memo No. 35 – Additional Sweep Issues

Length of Discussion: 9:40 to 10:20 AM (EDT)

Attendance:

Board members present: Seidman, Buck, Golden, Linsmeier, Schroeder, Siegel, L. Smith

Board members absent: None

Staff in charge of topic: Farber

Other staff at Board table: Cosper, Handy, Raichilson, Axt

Staff participating via videoconference: None

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

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

The Board's technical plan calls for that document to be issued in the first quarter of 2011.

Summary of Decisions Reached:

The Board discussed its tentative decision to modify the consolidation guidance for partnerships (Subtopic 810-20, Consolidation—Control of Partnerships and Similar Entities). The Board had previously decided to conform only how kick-out rights and participating rights affect the consolidation analysis of a partnership to the proposed guidance for evaluating whether a decision maker of a variable interest entity is an agent or a principal. The Board tentatively decided to revise its previous decision. Accordingly, the Board's revised decision would allow a general partner to consider its economics (fees and other interests) when evaluating whether it should consolidate a partnership. In addition, the Board tentatively decided to replace the existing rebuttable presumption of control in Subtopic 810-20 with a presumption that the general partner has power (but not control) over the partnership.

The Board also discussed the transition requirements for the proposed guidance for distinguishing an agent from a principal and decided the following:

1. An entity that is required to consolidate a previously unconsolidated entity would record the assets, liabilities, and noncontrolling interests of the subsidiary as if the newly issued guidance had been effective at the time the entity first met the conditions for consolidation.
2. If it is not practicable for the reporting entity to determine the carrying amounts, it would measure the assets, liabilities, and noncontrolling interests of the subsidiary at their fair value at the date the newly issued requirements first apply.
3. A reporting entity may elect the fair value option in transition, as long as that option is elected for all of the subsidiary's eligible financial assets and financial liabilities.
4. A reporting entity may restate comparative information for one or more years with a cumulative-effect adjustment to opening retained earnings for the first period subject to restatement.
5. When a reporting entity is required to deconsolidate a previously consolidated subsidiary, the amount at which it would record its retained interest in that entity is the amount that would have been reported had the

proposed guidance been effective at the time the reporting entity initially became involved with or no longer controlled the entity.

6. A reporting entity would recognize, as a cumulative adjustment to retained earnings, any difference between the net amount added to the balance sheet as a result of the newly issued guidance and the previously recognized interest.

The Board decided to obtain stakeholder input on the effective date and an early adoption option in the soon-to-be-issued Exposure Draft. The Board directed the staff to draft an Exposure Draft for vote by written ballot that would have a comment period of 75 days.

General Announcements: None