MINUTES

Financial Accounting Standards Board

To:	FASB Board Members		
From:	Accounting for Financial Instruments Team		
Subject:	April 13-14, 2011 Joint Board Meeting Accounting for Financial Instruments: Impairment	**Date:**	May 5, 2011

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:	Accounting for Financial Instruments: Impairment
Basis for Discussion:	FASB – Memorandums 83, 83A, 84, 85, 86, 87 IASB – Agenda Papers 4, 4A, 4B, 4C, 4D, 4E
Length of Discussion:	11:30 a.m. to 1:30 p.m.

Attendance:

Board members present:	FASB: Seidman, Golden, Linsmeier, Siegel, Smith, Buck, and Schroeder (London) IASB: Tweedie, Cooper, Danjou, Engstrom, Finnegan, Konig, Pacter, Smith, Gomes, Kalavacherla, Scott, Wei-Guo, McGregor, Yamada, and McConnell (London)
Board members absent:	None
Staff in charge of topic:	Lark (IASB) and Keller (FASB)
Other staff at Board table:	Stoklosa, Handy, Sanguiolo, Roberge, Smith, Gagnon, Farr, Glen, Friedhoff, and Lloyd
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 final Accounting Standards Update addressing the accounting for financial instruments. The Board's technical plan calls for that document to be issued in the second quarter of 2011.

Summary of Decisions Reached:

The IASB and the FASB discussed the comment letters received on the January 11 joint supplementary document, *Financial Instruments: Impairment,* and other outreach activities.

The Boards also discussed interest revenue recognition and the definition of amortized cost. They tentatively decided that to determine interest revenue an entity should apply the effective interest rate to an amortized cost balance that is not reduced for credit impairment. The IASB and FASB vote on this issue was unanimous.

The Boards discussed whether to discount a loss estimate, specifically, whether expected losses should be measured as principal only on an undiscounted basis or as all shortfalls in cash flows (both principal and interest) on a discounted basis. The Boards tentatively decided that the measurement of expected losses should reflect the effect of discounting. Any finalized guidance will clarify that a variety of techniques can be used to measure this amount and that the unit of account does not have to be an individual loan. The IASB and FASB vote on this issue was unanimous.

The Boards then discussed several alternatives on whether to unwind any discount on expected losses through interest revenue (either separately presented or in a net presentation) or through impairment losses. The Boards tentatively decided to include the unwinding of the discount in the impairment losses line item. The Boards will later consider whether to require disclosure of the effect of the unwinding on the allowance account including following consideration of any operational issues. The FASB vote on this issue was unanimous. The IASB vote on this issue was 12 to 3.

The Boards tentatively decided that they did not need to consider the inclusion of a nonaccrual principle for an impairment accounting model using these decisions at this time. The IASB and FASB vote on this issue was unanimous.

At future meetings, the Boards will redeliberate the feedback received on the supplementary document as they continue to develop the impairment accounting model.