

MINUTES



To: Board Members
From: Stoviak (x471)
Subject: Minutes of June 14-15, 2011 **Date:** June 16, 2011
Joint Board Meeting
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: Effect of the proposed model on telecom (and other) companies, Transition requirements, Re-exposure of the revenue standard

Basis for Discussion: FASB Memorandums 147, 147A, 147B, and 147C

Length of Discussion: June 14: 8:45 a.m. to 10:45 a.m. EDT
June 15: 7:00 a.m. to 8:00 a.m. EDT

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: FASB: None
IASB: None

Staff in charge of topic: FASB: Bement, Cadambi, Gagnon, and Catalano

IASB: Rees and Pitman

Other staff at Board table: FASB: Cadambi, Eckerle, Hood, Proestakes,
and Stoviak

IASB: Brady and McManus

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 third quarter 2011.

Summary of Decisions Reached:

The IASB and the FASB completed their planned redeliberations of the Exposure Draft, *Revenue from Contracts with Customers*, by discussing the following topics:

1. The effect of the proposed standard on telecommunications (and other) companies
2. The transition requirements for the proposed standard
3. Whether it is necessary to re-expose the proposed standard.

Effect of the Proposed Standard on Telecommunications (and Other) Companies

The Boards discussed concerns raised by constituents in the telecommunications industry about the effect of the Boards' proposed standard. The Boards tentatively decided not to revise the requirements of the proposed standard.

Transition Requirements

The Boards tentatively affirmed their decision in the Exposure Draft that an entity should apply the proposed standard on a retrospective basis. However, to ease the burden of applying the proposed standard in the first year of application, the Boards tentatively decided that:

1. An entity should not be required to restate contracts that begin and end within the same reporting period.
2. An entity should be permitted to use hindsight in estimating variable consideration in the comparative reporting periods.

3. An entity should be required to perform the onerous test only at the effective date unless an onerous contract liability was recognized previously in a comparative period.
4. An entity should not be required to disclose the maturity analyses of remaining performance for prior periods.

An entity should apply any relief employed consistently to all transactions throughout the comparative periods.

The Boards also tentatively decided that if an entity employs any of the available reliefs above, the entity should disclose the following information:

1. The reliefs that have been employed by the entity
2. To the extent possible, a qualitative assessment of the likely effect of applying those reliefs.

Re-exposure of the Proposed Standard

The Boards agreed to re-expose their revised proposals for a common revenue recognition standard. Re-exposing the revised proposals will provide interested parties with an opportunity to comment on revisions the Boards have undertaken since the publication of an Exposure Draft on revenue recognition in June 2010. Specifically, the Boards plan to invite feedback on the following topics:

1. The extent to which the revised requirements are understandable and the drafting of the requirements has not created unintended consequences for specific contracts or industries
2. A few specific aspects of the revised requirements.

It was the unanimous view of the Boards that while there was no formal due process requirement to re-expose the proposals, it was appropriate to go beyond established due process given the importance of the revenue number to all entities and the need to take all possible steps to avoid unintended consequences. The Boards intend to re-expose their work in the third quarter of 2011 for a comment period of 120 days.

Next Steps

The Boards directed the staff to draft an Exposure Draft for vote by written ballot. No Board members indicated that they intend to dissent to the publication of the Exposure Draft.

General Announcements: None