Emerging Issues Task Force
Agenda Report
July 27, 2011 Agenda Decisions

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Emerging Issues Task Force Agenda Committee
Description of Potential New Issues
Discussion Date: July 27, 2011

1. Subsequent Out-licensing of Assets Used in IPR&D That Were Acquired in a Business Combination

Background

Before the issuance of FASB Statement No. 141 (revised 2007), *Business Combinations*, an asset to be used in research and development (R&D) activities was not commonly recognized in the statement of financial position of the acquirer because assets acquired in a business combination that were to be used in R&D activities were expensed upon acquisition unless they had an alternative future use. However, as a result of Statement 141R (paragraph 350-30-35-17A in the Codification), intangible assets acquired in a business combination that are to be used in R&D activities (regardless of whether they have an alternative future use) should be considered indefinite lived until the completion or abandonment of the associated research and development efforts and are recognized by the acquirer at fair value at the date of acquisition.

The acquirer in the business combination, such as a pharmaceutical company, may subsequently enter into an arrangement whereby it transfers[1] (out-licenses) its rights to the acquired intangible asset to a third party (transferee) to be used in R&D activities of the transferee. The intangible asset transferred by the pharmaceutical company (transferor) is commonly known as the "out-licensed asset." Often, such arrangements involve the transferee making an initial nonrefundable payment and committing to making future (contingent) payments based upon achieving substantive development milestones and royalties that are based on future sales of the product that is expected to utilize the transferred intangible asset.

It is common for the amount of the initial fixed nonrefundable payment received by the transferor (for example, the pharmaceutical acquirer noted above) to be less than the transferor's carrying amount of the out-licensed asset when acquired in a business combination. However,

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[1] The reporting entity may transfer its ownership interests in the asset in an arrangement that purports to be a sale or through a licensing arrangement that is substantively a sale. This potential issue assumes that the arrangement will be treated as a sale for accounting purposes but does not address the circumstances in which such accounting is appropriate.

for purposes of this discussion, the transferor's estimate of the fair value of total arrangement consideration (initial fixed payment **and** contingent payments) is assumed to equal or exceed the carrying amount of the out-licensed asset.[2]

The accounting issue in this fact pattern is whether a loss should be recognized upon derecognition of the out-licensed asset by the transferor since some of the total arrangement consideration is contingent?

Some argue that it is unclear what current accounting guidance applies to this issue as outlined in the views presented below. Additionally, the FASB and IASB's joint revenue recognition project is expected to address this issue with proposed guidance that may not be consistent with current guidance. Therefore, the concern is about the current accounting for this issue.

Scope

This issue applies to all entities that have (a) acquired intangible assets to be used in R&D activities in a business combination and (b) subsequently transferred those assets in exchange for fixed and contingent consideration.

Accounting Issue and Alternatives

Whether it is appropriate for the transferor to recognize a loss[3] in circumstances in which the total amount of non-contingent consideration is less than the carrying amount of the out-licensed intangible asset.

View A: It is appropriate for the transferor to evaluate the transfer (within the scope of this issue) as a contingent loss.

Proponents of View A observe that the transferor's estimate of the fair value of total consideration to be received (which includes the initial nonrefundable payment and the estimated

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[2] Whenever the transferor's estimate of the fair value of total consideration is less than the carrying amount of the out-licensed asset, the recognition of a loss is required.

[3] Although this potential issue uses the term "loss," it may be appropriate for the transferor to account for an out-licensing arrangement as an element of operations and not as other income (loss).

fair value of the contingent payments) equals or exceeds the carrying amount of the out-licensed asset. As a result, proponents of View A believe that it is most appropriate to evaluate the recognition of the apparent loss in the out-licensing arrangement as a contingent loss. Subtopic 450-20, Loss Contingencies, provides guidance on loss contingencies. Specifically, paragraph 450-20-25-2 states the following:

> . . . losses . . . shall not be accrued if it is not probable that an asset has been impaired or a liability has been incurred at the date of an entity's financial statements because those losses relate to a future period rather than the current or a prior period.

In most cases, the transferor has a basis in fact to conclude that the likelihood of favorable resolution of the contingency is at least reasonably possible. That is, it is not probable at the date the out-licensing arrangement is entered into that the transferor has incurred a loss. This is consistent with Subtopic 410-30, Asset Retirement and Environmental Obligations—Environmental Obligations, and EITF Issue No. 01-10, "Accounting for the Impact of the Terrorist Attacks of September 11, 2001" (which is not codified).

As a result of accounting for the implied loss as a contingent loss in the manner described above, the transferor would record a deferred cost equal to the difference between the carrying amount of the out-licensed asset and the amount of initial nonrefundable payment and would continue to evaluate it following the guidance in Subtopic 450-20. If it became probable that the transferor would not be entitled to future payments at least equal to the amount of the deferred cost (or it became remote that the contingency would be favorably resolved), the transferor would recognize a loss.

View B: *It is appropriate for the transferor to evaluate the transfer (within the scope of this issue) to determine whether asset recognition is appropriate.*

Proponents of View B reach a conclusion similar to proponents of View A, but base their conclusion on an analogy to a recent SEC staff speech.[4] In that speech, the SEC staff member addressed sales arrangements in which, as a result of contingencies, the amount of revenue allocable to a delivered item is less than the cost of the delivered item. The following example is provided in the speech:

> Take for example a registrant that sells equipment and installation on a bundled basis. The arrangement meets the separation criteria, yet a portion of the payment that would otherwise be allocated to the equipment is not due until installation is complete. Under [EITF Issue No.] 00-21, ["Accounting for Multiple Element Arrangements"] because part of the payment is dependent on the performance of the installation service, that amount is considered contingent revenue and should not be allocated to the equipment. The result of this could very well be that the amount of revenue allocated to the equipment is less than the cost of that equipment. Thus, the income statement effect of this example seems to be a loss being recognized upon delivery of the equipment as inventory is relieved, followed by significant profits on the performance of the installation services.

In connection with such situations, the SEC staff member indicated that there may be circumstances in which it is appropriate to recognize an asset in connection with a multiple deliverable arrangement with contingent revenues. However, those circumstances are limited to situations in which a loss has been incurred on the delivered item.

The speech provides examples under which it would be acceptable to not recognize the loss through the recognition of an asset, including the following:

> Lastly, but perhaps most significantly, to the extent a loss is incurred on items that have been delivered, the loss might be considered an investment in the remainder of the contract if the revenue allocated to the remaining deliverables is an amount greater than the fair value of such deliverables.

The speech goes on to say the following:

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[4] Refer to "The Contingent Revenue Provision of EITF 00-21" and the "Cost of Revenue Transactions" discussions in the 2003 speech by Russell P. Hodge at the AICPA National Conference on Current SEC Developments (http://www.sec.gov/news/speech/spch121103rph.htm).

> In a recent fact pattern that we were asked to consider, we did not object to the recognition of an asset that was considered an investment in an existing contract. The asset recognized was equal to the loss incurred on the delivery of the first item in the arrangement. The remaining services to be provided under the contract were at above-market terms as a result of the revenue otherwise allocable to the first deliverable being allocated to the remaining deliverables due to the contingent payment terms. The asset would be tested for future impairment based on the cash flows expected to be generated through the performance of the remaining services under the contract.

Proponents of View B believe that it is acceptable to analogize to this speech because out-licensing arrangements are similar to those situations addressed in the speech. A loss is implied in those circumstances because the amount of income that is recognizable is limited to the amount of the initial nonrefundable payment (the only fixed and determinable element in the arrangement). However, the fair value of the total arrangement consideration exceeds the carrying amount of the out-licensed asset, implying the presence of an asset as well as support for its recoverability.

Opponents of View B do not believe that analogy to this speech is appropriate because an out-licensing arrangement, in total, does not contain fixed cash flows sufficient to recover the carrying amount of the transferred intangible asset(s). Proponents of View B believe, however, that this speech reflects the SEC staff's thinking behind its position that evaluation of recoverability is not limited to the amount of deferred revenue or contractual future payments.

View C: It is appropriate for the transferor to evaluate the transfer (within the scope of this issue) as a contingent gain.

Proponents of View C believe that it is not appropriate to evaluate the transfer as a contingent loss because the transferee is not unconditionally obligated to make a payment to the transferor in an amount sufficient to recover the carrying amount of the intangible asset (as is the case with insurance recoveries). Some proponents of View C believe that the transferor should evaluate the transfer as a contingent loss only when it is possible to conclude that it is probable[5] that the transferor will recover the carrying amount of the transferred asset. As a consequence, proponents of View C believe that application of Subtopic 450-30, Contingencies—Gain Contingencies, is required. As such, the transferor would derecognize the out-licensed asset and, if the fixed payment is less than the carrying amount of the asset, recognize a loss on the sale. The transferor would recognize a gain when and if the contingency is favorably resolved.

View D: The transferor should recognize an asset equal to the fair value of contingent consideration and, in some cases, a gain for the fair value of consideration in excess of the carrying value of the transferred intangible asset.

Proponents of View D believe that the contingent consideration arrangement meets the definition of a financial asset, which may or may not be a derivative. As such, proponents of View D believe that the transferor of an asset (as opposed to a business) should recognize any financial asset received in exchange at the time of the exchange at fair value. In situations in which subsequent measurement guidance does not exist, that subsequent measurement guidance may need to be developed.

Also, if the contingent consideration meets the definition of a derivative under Topic 815, Derivatives and Hedging, it would appear that the seller would be required to initially measure and record the derivative at fair value, reducing the likelihood of a deferred charge/loss. Similarly, EITF Issue No. 09-4, "Seller Accounting for Contingent Consideration," provides some basis for accepting alternative views regarding the treatment of contingent consideration from the seller's perspective. While the EITF did not reach a consensus on Issue 09-4, it acknowledged the existence of diversity in practice in that context.

Interaction with the FASB and IASB's Joint Revenue Recognition Project

In June 2010, the Boards published for public comment the Exposure Draft, *Revenue from Contracts with Customers* (the 2010 ED), and have subsequently re-deliberated various topics

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[5] It should be noted that this is different from View A. Under View A, one would evaluate whether it is probable that a loss has occurred (that is, payments are not going to be received), while under View C, one would evaluate whether it is probable that the contingency will be met and payments will be received.

based on feedback from constituents. As of June 2011, the Boards have finished re-deliberations and plan to re-expose the revenue recognition proposals during 2011. The specific fact pattern outlined in this issue was not directly addressed by the Boards in either their deliberations or their subsequent re-deliberations.

However, the tentative decisions reached by the Boards in their joint revenue recognition project relevant to this issue are:

a. Determining the transfer of goods and services
b. Determining the transaction price
c. Constraining the cumulative amount of revenue recognized.

Determining the transfer of goods and services

The Boards affirmed the core principle from the 2010 ED that an entity should recognize revenue as it satisfies its performance obligation by transferring a good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. If an entity grants to a customer a license or other rights to use intellectual property of the entity, those promised rights give rise to a performance obligation that the entity satisfies at the point in time when the customer obtains control of the rights.

Determining the transaction price

The Boards tentatively decided that an entity's objective when determining the transaction price in a contract with a customer is to estimate the total amount of consideration to which the entity will be entitled under the contract. To meet that objective for variable consideration, an entity should estimate either of the following amounts (depending on which is most predictive of the amount of consideration to which the entity will be entitled):

a. The probability-weighted amount, or
b. The most likely amount.

Additionally, the Boards tentatively decided that a constraint would be applied for recognizing revenue. Specifically, an entity should recognize revenue only to the extent of the amounts to which the entity is reasonably assured to be entitled. An entity is reasonably assured to be entitled to an amount of consideration only if both of the following criteria are met:

a. The entity has experience with similar types of contracts (or has access to the experience of other entities or to other persuasive evidence).
b. The entity's experience is predictive of the outcome of the contract based on an evaluation of the facts and circumstance of the contract.

Indicators that an entity's experience is not predictive of the outcome of a contract include, but are not limited to, the following:

- The amount of consideration is highly susceptible to factors outside the influence of the entity (for example, volatility in a market, weather conditions, the judgment of third parties, and a risk of obsolescence of the promised good or service)
- The uncertainty about the amount of consideration is not expected to be resolved for a long period of time
- The entity's experience with similar types of contracts is limited
- The contract has a large number and high variability of possible consideration amounts.

Notwithstanding the guidance on when an amount is reasonably assured, the Boards also tentatively decided that if an entity licenses intellectual property to a customer and the customer promises to pay an amount of consideration that varies entirely on the basis of the customer's subsequent sales of a good or service that uses the licensed intellectual property, the entity is not reasonably assured to receive the promised amount of consideration until the uncertainty is resolved (that is, when customer's subsequent sales occur). Hence, an entity should recognize as revenue the variable payments as the uncertainty is resolved.

The 2010 ED proposed that an entity should apply the recognition and measurement principles of the proposed revenue guidance for the derecognition of nonfinancial assets in non-revenue transactions such as the transfers of:

- Intangible assets within the scope of Topic 350, Intangibles—Goodwill and Other
- Property, plant and equipment (for example, real estate) that is within the scope of Topic 360.

Consequently, the asset would be derecognized when the buyer obtains control of that asset. The amount of consideration an entity considers to determine the amount of gain or loss on derecognition of the asset would be limited to amounts to which the entity is reasonably assured to be entitled. An entity would be required to apply the guidance in the revenue standard to determine whether an amount is reasonably assured.

In 2011, the Boards did not specifically redeliberate their May 2010 decision related to the transfer of nonfinancial assets that are not an output of an entity's ordinary activities. Nor did the Boards specifically discuss whether the Boards' decision on sales-based royalties (that is, when an entity licenses intellectual property) is applicable when an entity transfers ownership of an asset rather than a license or a right to use the asset. Hence, an entity would include variable payments in determining the gain or loss on the sale of a nonfinancial asset only if the entity is reasonably assured to be entitled to those payments.

Agenda Decision: ***This issue was not added to the EITF agenda. The FASB Chairman recommended that the 2011 planned re-exposure of the joint revenue recognition project should include a question for respondents regarding variable consideration. The FASB Chairman also recommended that the issue of intellectual property be considered during the projects planned outreach.***

2. Parent's Accounting for the Cumulative Translation Adjustment (CTA) upon the Sale or Transfer of a Group of Assets within a Foreign Subsidiary That Meets the Definition of a Business

Background

A parent entity (or "the parent") may enter into a transaction to sell or transfer a group of assets within a consolidated foreign subsidiary to an independent third party while retaining its ownership of the foreign subsidiary. Although the group of assets may represent only a portion of the foreign subsidiary's total net assets, in some cases the group of assets constitutes a business as defined in Topic 805, Business Combinations.

Topic 830, Foreign Currency Matters, provides that when a parent sells or transfers part of its ownership interest (for example, equity interests) in a foreign subsidiary, the parent should apply the guidance in Topic 810, Consolidation, to determine the appropriate accounting for the CTA. Under Subtopic 810-10 (originally issued as FASB Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements*), the accounting for the CTA upon the parent's partial sale of its ownership interests in a foreign subsidiary is dependent on whether the parent retains a controlling financial interest in the foreign subsidiary upon completion of the partial sale. If the parent retains a controlling financial interest in the foreign entity after the partial sale, the parent would account for the sale as an equity transaction under paragraph 810-10-45-23 and no gain or loss related to the transaction would be recognized in earnings:

> Changes in a parent's ownership interest while the parent retains its controlling financial interest in its subsidiary shall be accounted for as equity transactions (investments by owners and distributions to owners acting in their capacity as owners). Therefore, no gain or loss shall be recognized in consolidated net income or comprehensive income.

In situations in which the parent does not retain a controlling financial interest in the foreign entity as a result of a partial sale, the parent would deconsolidate the foreign entity in accordance with paragraph 810-10-40-5 and record a gain or loss related to (a) the retained interest held by the parent in the foreign entity and (b) the equity interest that was sold. Upon deconsolidation, the parent would recognize the entire CTA balance related to the foreign subsidiary in earnings because the parent no longer has control (regardless of whether the parent has retained an interest in the foreign entity). Paragraph B53 of the Background Information and Basis for Conclusions of Statement 160 states:

> When a parent ceases to have a controlling financial interest in a subsidiary, the parent-subsidiary relationship ceases to exist. The parent no longer controls the subsidiary's assets and liabilities. The parent therefore derecognizes the assets, liabilities and equity components related to that subsidiary. The equity components will include any noncontrolling interest **as well as amounts previously recognized in other comprehensive income. [Emphasis added.]**

Topic 830 also provides guidance on the appropriate accounting treatment for the CTA when a foreign subsidiary disposes of a group of assets, but the parent retains its controlling interest. In cases in which the disposition of the group of assets does not constitute a complete or substantially complete liquidation of the foreign subsidiary, paragraph 830-30-40-1 would require the CTA associated with the foreign subsidiary to remain in equity (that is, CTA associated with the foreign subsidiary would not be recognized in earnings). However, if the disposition of the group of assets constitutes a complete or substantially complete liquidation of the foreign subsidiary, the parent would recognize the CTA in earnings. Complete or substantially complete liquidation of a foreign subsidiary is generally interpreted in practice as the liquidation of 90 percent or more of the subsidiary's assets.

Subsequent to the issuance of Statement 160, the FASB issued Accounting Standards Update No. 2010-02, *Consolidation (Topic 810): Accounting and Reporting for Decreases in Ownership of a Subsidiary—a Scope Clarification*, which amended the scope of Subtopic 810-10 to apply to subsidiaries and asset groups that meet the definition of a business, other than sales of in substance real estate or certain transactions involving conveyances of oil and gas mineral rights. Specifically, paragraph 810-10-40-3A states that:

> The deconsolidation and derecognition guidance in this Section applies to . . . a group of assets that is a nonprofit activity or a business . . . .

While Update 2010-02 expanded the scope of Subtopic 810-10 to include a group of assets that meets the definition of a business, the Board did not specifically discuss amendments to Topic 830, such as an amendment to the guidance in Section 830-30-40 related to the accounting for the CTA when a group of assets that meets the definition of a business is disposed of. Therefore, although Update 2010-02 specifically concluded that the sale or transfer of a group of a subsidiary's assets meeting the definition of a business is within the scope of Subtopic 810-10, it did not address whether the parent should account for the CTA in accordance with Subtopic 810-10 or apply the requirements in Subtopic 830-30, which would require the parent to adjust the CTA only if the sale or transfer of the group of assets constitutes a complete or substantially complete liquidation of the foreign subsidiary.

As a result of the lack of clarity as to whether a parent should apply the guidance in Section 830-30-40 or Subtopic 810-10 for a transaction that is within the scope of Update 2010-02, diversity in practice may develop when a foreign subsidiary disposes of a group of assets that meets the definition of a business. Specifically, some entities may apply the guidance in Subtopic 810-10 and recognize a portion of the CTA associated with the disposed group of assets in earnings and other entities may apply the guidance in paragraph 830-30-40-1, and only recognize the CTA in earnings if the sale or transfer of the group of assets constitutes a complete or substantially complete liquidation of the foreign entity.

Scope

This issue applies to all entities that (a) have sold or transferred a group of assets within a consolidated foreign subsidiary that meets the definition of a business as contemplated in Topic 805, Business Combinations, and (b) have a CTA balance associated with that foreign subsidiary. It is assumed that the functional currency of the foreign subsidiary is not the parent's reporting currency.

Accounting Issue and Alternatives

Issue 1: When a parent entity sells or transfers a group of assets within a foreign subsidiary that meets the definition of a business, should the entity (a) apply the guidance in Subtopic 810-10 and recognize a portion of the CTA associated with the disposed group of assets in earnings or (b) apply the guidance in paragraph 830-30-40-1 and only recognize the CTA in earnings if the sale or transfer constitutes a complete or substantially complete liquidation of the foreign subsidiary?

View A: Entities should apply the guidance in Subtopic 810-10 upon the sale or transfer of a group of assets that meets the definition of a business and recognize a portion of the CTA associated with the foreign subsidiary in earnings.

Proponents of View A believe that the application of the guidance in Subtopic 810-10 for purposes of accounting for the CTA should not be limited to situations in which an entity sells part of an ownership interest in a foreign entity. Specifically, they believe that because Update 2010-02 amended the scope of Subtopic 810-10 to include other transactions (such as sales of asset groups meeting the definition of a business), the CTA related to those other transactions should also be accounted for in accordance with Subtopic 810-10.

Proponents of View A believe that the portion of the cumulative translation gain or loss within the CTA attributable to the business sold should be recognized in earnings at the time of sale or transfer of the group of assets. Recognition of the CTA in earnings is consistent with the guidance in paragraph 810-10-40-5, which requires entities to recognize a gain or loss upon the sale of a group of assets that meets the definition of a business. Supporters of View A believe that the accounting results would not follow the economics of the transaction if the parent recognizes a gain or loss upon the sale of a group of assets that is a business, but excludes the related CTA balance from the gain or loss recognized.

Additionally, paragraph B53 of the Background Information and Basis for Conclusions of Statement 160, which is not included in the Codification, states that upon a loss of control, the parent should derecognize the assets, liabilities, and equity components related to the deconsolidated entity. The equity components will include any noncontrolling interest as well as amounts previously recognized in other comprehensive income (for example, the CTA). While paragraph B53 focuses on the accounting upon the loss of control of a subsidiary rather than a group of assets meeting the definition of a business, it should be noted that paragraph B53 was written prior to the issuance of Update 2010-02, which revised the scope of Subtopic 810-10 to apply to subsidiaries and groups of assets that meet the definition of a business, other than sales of in substance real estate or certain transactions involving conveyances of oil and gas mineral rights. Accordingly, View A proponents believe that the concepts discussed in paragraph B53 are also relevant to scenarios in which entities lose control of a group of assets that meet the definition of a business.

View A proponents do not dispute that Update 2010-02 did not amend the guidance in Topic 830. However, they believe that Update 2010-02 prescribes that the accounting treatment for the disposal of a group of assets that meets the definition of a business should be consistent with the requirements for the disposal of a controlling interest in a subsidiary. Accordingly, they believe that although Update 2010-02 did not amend the guidance in Topic 830, the disposal of a group of assets that meets the definition of a business should be accounted for consistently with the disposal of an equity interest under both Subtopics 810-10 and Topic 830.

Lastly, View A supporters acknowledge the guidance in paragraph 830-30-40-3, which states:

> A partial liquidation by a subsidiary may be considered to be similar to a sale of part of an ownership interest if the liquidation proceeds are distributed to the parent. However, extending pro rata recognition to such partial liquidations would require that their substance be distinguished from ordinary dividends. Such a distinction is neither possible nor desirable. This paragraph is restricted to clarifying that a sale includes an investor's partial, as well as complete, disposal of its ownership interest.

However, View A proponents believe that if a parent has concluded that the disposal of a group of assets that meets the definition of a business should be accounted for in accordance with Subtopic 810-10, it would likely have greater visibility into the nature of any liquidation, such that it could distinguish them from ordinary dividends.

View B: Entities should follow the guidance in paragraph 830-30-40-1 and only recognize the CTA in earnings if the sale or transfer of the group of assets constitutes a complete or substantially complete liquidation.

Proponents of View B believe that the guidance for the accounting for the CTA upon the sale or transfer of a group of assets of a foreign entity is already contemplated in Section 830-30-40 and that unless the sale of the group of assets constitutes a *complete or substantially complete liquidation*, no amounts within the CTA balance should be recognized in earnings. Accordingly, any cumulative translation gain or loss should remain in the CTA at the time of the sale even if the group of assets meets the definition of a business under Topic 805.

Proponents of View B believe that the CTA represents the change in the parent's net investment in the foreign subsidiary as a result of changes in exchange rates and is not attributable to individual assets and liabilities of the entity. This is illustrated when there is no change in the net assets of the foreign entity measured in their functional currency, but a favorable exchange rate change increases the reporting currency equivalent of the net investment while an unfavorable exchange rate change reduces the reporting currency equivalent.

View B supporters believe that the parent is only able to realize the effect of changes in exchange rates on its net investment when it disposes of its investment in the foreign entity. Accordingly, they believe that although the transaction is required to be accounted for in accordance with the guidance in Subtopic 810-10, the CTA should only be recognized in earnings when a parent disposes of its controlling interest or the entity is substantially liquidated.

For example, if a foreign subsidiary sells a group of assets that meets the definition of a business in exchange for cash equal to the carrying value of the assets, in accordance with the amendments in Update 2010-02, the transaction would be accounted for under Subtopic 810-10. However, the net asset value of the foreign subsidiary in its functional currency would not have changed as a result of this transaction. Accordingly, even though the sale of the group of assets would be accounted for in accordance with Subtopic 810-10, proponents of View B believe that it would not be appropriate to recognize the CTA in net income because the parent has not realized the effect of exchange rates on its net investment.

Agenda Decision: ***This issue was added to the EITF agenda.***

Status of Open Issues and Agenda Committee Items

The following represents the FASB staff's assessment of the status and immediate plans with respect to the open Issues on the Task Force's agenda. The Issues that will be added to the proposed agenda for the November 3, 2011 meeting are considered either high priority issues or issues on which meaningful progress can be made within the staff's given complement of resources. The staff's prioritization of issues is based primarily on the FASB staff's understanding of the level of diversity in practice created by each respective Issue, the financial reporting implications of that diversity, the current interaction, if any, of the Issues with active Board projects, and current resource availability among the staff (with respect to both time and relevant technical expertise).

Issue No.	Description	Date Added	Date(s) Discussed	Next Meeting	EITF Liaison	FASB Staff	Immediate Plans	Due Date - Next Deliverable
10-E	Derecognition of in Substance Real Estate	6/10	9/10 11/10 6/11	11/11	Hauser	Handy	The FASB staff will prepare an Issue Supplement following exposure of a proposed Update	Comment deadline October 5, 2011; November 3, 2011 EITF meeting
11-A	Parent's Accounting for the Cumulative Translation Adjustment (CTA) upon the Sale or Transfer of a Group of Assets within a Foreign Subsidiary That Meets the Definition of a Business	7/11	N/A	11/11	TBD	TBD	The FASB staff will prepare an Issue Summary for a future meeting	November 3, 2011 EITF meeting

Other EITF Issues including Inactive Issues Pending Developments in Board Projects							
Issue No.	**Description**	**Date Added**	**Date(s) Discussed**	**Next Meeting**	**FASB Staff**	**Immediate Plans**	**Due Date - Next Deliverable**
03-15	Interpretation of Constraining Conditions of a Transferee in a Collateralized Bond Obligation Structure	11/02	N/A	Not scheduled	TBD	The Board's project on QSPE's is not expected to address this Issue and, therefore, the FASB staff will bring this Issue to the Agenda Committee at a future meeting to determine whether to begin discussions on this Issue or to request that the Issue be removed from the agenda.	Future Agenda Committee or EITF Meeting
06-12	Accounting for Physical Commodity Inventories for Entities within the Scope of the AICPA Audit and Accounting Guide, *Brokers and Dealers in Securities*	8/06	11/06	Not scheduled	TBD	Pending the outcome of the Board's project to amend ARB No. 43, *Restatement and Revision of Accounting Research Bulletins*.	Future EITF Meeting
09-D	Application of the AICPA Audit and Accounting Guide, *Investment Companies*, by Real Estate Investment Companies	2/09	N/A	Not scheduled	TBD	Pending the outcome of the Board's projects on consolidation and investment properties.	Future EITF Meeting
10-B	Accounting for Multiple Foreign Exchange Rates	3/10	7/10, 9/10	Not scheduled	TBD	No immediate plans to address this Issue.	N/A

Issues Pending Further Consideration by the Agenda Committee							
Issue No.	**Description**	**Date Added**	**Date(s) Discussed**	**Next Meeting**	**FASB Staff**	**Immediate Plans**	**Due Date - Next Deliverable**
N/A	Application of EITF Issue No. 99-20, "Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets," When a Special-Purpose Entity Holds Equity Securities and Whether an Investment That Is Redeemable at the Option of the Investor Should Be Considered an Equity Security or Debt Security	9/00	N/A	Not scheduled	TBD	Statement 155 did not address this Issue. Therefore, the FASB staff will bring this Issue to the Agenda Committee at a future meeting to determine whether to begin discussions on this Issue.	Future Agenda Committee meeting