MINUTES

Financial Accounting Standards Board

To:	Board Members		
From:	Accounting for Financial Instruments Team		
Subject:	August 10, 2011 Board Meeting Minutes: Accounting for Financial Instruments—Classification and Measurement	**Date:**	August 11, 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.

<u>Topic</u>:	Accounting for Financial Instruments: Classification and Measurement
<u>Basis for Discussion</u>:	FASB Memorandums 102, 103, and 104
<u>Length of Discussion</u>:	12:45 p.m. to 3:05 p.m.

<u>Attendance</u>:

Board members present:	FASB: Seidman, Buck, Golden, Linsmeier, Schroeder, Siegel (by phone), and L. Smith
Board members absent:	None
Staff in charge of topic:	Laungani, Handy, and Couch
Other staff at Board table:	Roberge, Keller, Shah, Gagnon, C. Smith, and Stoklosa
Outside participants:	N/A

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 2011.

Summary of Decisions Reached:

The Board discussed the following three topics related to classification and measurement of financial instruments:

1. Financial statement presentation
2. Clarifications of the criteria for equity method investments
3. Presentation of changes in fair value attributable to "own credit."

The Board voted 4-3 for parenthetical disclosure of fair value for amortized cost instruments except for demand deposit liabilities (entities would be required to disclose the present value of demand deposits in the notes to the financial statements).

The Board voted unanimously on the remaining decisions below.

Financial Statement Presentation

The Board affirmed its decision in the proposed Accounting Standards Update that an entity would be required to separately present financial assets and financial liabilities on the balance sheet by classification and measurement category. Certain presentation requirements decided by the Board apply only to public entities. The Board will discuss at a future meeting those presentation or disclosure requirements for nonpublic entities. The Board decided on the following presentation requirements.

Balance Sheet Presentation

Financial Assets Measured at Amortized Cost

1. A public entity would be required to parenthetically present fair value, consistent with the measurement requirements in Topic 820, on the face of the balance sheet. All entities would be required to separately present cumulative credit losses on the face of the balance sheet.

Financial Liabilities Measured at Fair Value

1. All entities would be required to parenthetically present amortized cost on the face of the balance sheet for an entity's own debt.

Financial Liabilities Measured at Amortized Cost

1. A public entity would be required to parenthetically present fair value, consistent with the measurement requirement in Topic 820, on the face of the balance sheet for all financial liabilities measured at amortized cost, except demand deposit liabilities.
2. A public entity would be required to disclose in the notes to the financial statements a present value amount for demand deposit liabilities. The Board will discuss the measurement technique for this disclosure at a future meeting.

Short-Term Receivables and Payables

1. Short-term (less than one year) receivables and payables would not be subject to the parenthetical fair value presentation requirements.

Income Statement Presentation—Applicable to All Entities

Financial Assets

1. An entity would be required to present in net income an aggregate amount for realized and unrealized gains or losses for financial assets measured at fair value with all changes in fair value recognized in net income.
2. An entity would be required to separately present the following items in net income for financial assets measured at fair value with changes recognized in other comprehensive income and amortized cost:
    a. Current-period interest income
    b. Current-period credit losses
    c. Realized gains and losses.

Financial Liabilities

1. An entity would be required to present in net income an aggregate amount for realized and unrealized gains or losses for financial liabilities measured at fair value with all changes in fair value recognized in net income.

2. An entity would be required to separately present the following items in net income for financial liabilities measured at amortized cost:
    a. Current period interest expense
    b. Realized gains and losses.

Clarifications of the Criteria for Equity Method Investments—Applicable to All Entities

The Board decided that an entity would be required to classify and measure equity investments, which otherwise would qualify for the equity method of accounting, at fair value with changes in fair value measured through net income if the investment is held for sale. The Board clarified that an entity would perform a “held for sale” evaluation upon the investment’s initial qualification for the equity method of accounting. The Board also noted that an entity may not subsequently change its “held for sale” evaluation for the investment. The Board acknowledged that the following indicators would determine that an investment is held for sale:

1. The entity has specifically identified potential exit strategies even though it may not yet have determined the specific method of exiting the investment.
2. The entity has defined the time at which it expects to exit the investment, which may be either an expected date or range of dates; a time defined by specific facts and circumstances, such as achieving certain milestones; or the investment objectives of the entity.

Presentation of Changes in Fair Value Attributable to “Own Credit”—Applicable to All Entities

The Board decided that an entity would not be required to separately present the changes in the fair value of financial liabilities attributable to changes in “own credit” risk from other changes in fair value in the income statement. The Board acknowledged that it may revisit this decision if the population of financial liabilities subsequently measured at fair value significantly changes due to future redeliberations on the fair value option for financial liabilities.