

MINUTES



Financial Accounting
Standards Board

To: Board Members

From: Nolan (x353)

Subject: Minutes of the November 30, 2011
Board Meeting: Ratification of One
EITF Consensus and One
Consensus-for-Exposure

Date: December 8, 2011

cc: **Breen**

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.

Topics: Board ratification of the consensus on EITF Issue No. 10-E and the consensus-for-expose on EITF Issue No. 11-A, and Agenda decision: application of asset- or entity-based guidance to nonfinancial assets held in an entity

Basis for Discussion: EITF Ratification Board Memorandums Nos. 1 and 2 (Issued November 8 and 17, 2011) and Agenda Request Board Memorandums Nos. 1 and 2 (Issued November 15 and 23, 2011)

Length of Discussion: 11:00 a.m. to 11:15 a.m.

Attendance:

Board members present: Buck, Golden, Linsmeier, Schroeder, Seidman, and Siegel

Board members absent: Smith

Staff in charge of topic: Breen

Other staff at Board table: Cospers, Handy, Harris, Kane, Lindemuth, Nolan, Shah, Stoklosa

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Board met to discuss issues relating to the development of an Accounting Standards Update addressing EITF Issue No. 10-E, “Derecognition of in Substance Real Estate,” and the the development of an Exposure Draft addressing EITF Issue No. 11-A, “Parent’s Accounting for the Cumulative Translation Adjustment upon the Sale or Transfer of a Group of Assets That Is a Nonprofit Activity or a Business within a Consolidated Foreign Entity.”

The Board’s technical plan calls for the Accounting Standards Update addressing EITF Issue 10-E and the Exposure Draft addressing EITF Issue 11-A to be issued in the fourth quarter of 2011.

Summary of Decisions Reached:

Agenda decision: Application of asset- or entity-based guidance to nonfinancial assets held in an entity. The FASB chairman added a research project to the FASB agenda to explore when a reporting entity should apply asset- or entity-based guidance to nonfinancial assets held in an entity. The results of this research effort will be used by the FASB chairman to decide whether to add a standards-setting project to the agenda.

FASB approval of EITF consensus and consensus-for-exposure. The Board approved the following consensus reached at the November 3, 2011 EITF meeting. The Board expects to publish an Accounting Standards Update in mid-December.

Issue No. 10-E, “Derecognition of in Substance Real Estate”

A parent that ceases to have a controlling financial interest in a subsidiary that is in substance real estate because the subsidiary has defaulted on its nonrecourse debt should apply the guidance in Subtopic 360-20 (real estate sales) to determine whether to derecognize the in substance real estate.

Entities will apply the new requirements prospectively to deconsolidation events occurring on or after the effective date. Entities should not adjust or revise financial information for prior periods even if they have continuing involvement with previously derecognized in substance real estate.

For public entities, the consensus will be effective for fiscal years, and interim periods within those years, beginning on or after June 15, 2012. For nonpublic entities, the consensus will be effective for fiscal years ending after December 15, 2013, and interim and annual periods thereafter. Earlier application is permitted.

(The Board voted 5-2 for the above decision.)

The Board also approved the following consensus-for-exposure reached at the November 3, 2011 EITF meeting. The Board expects to publish an Exposure Draft of proposed amendments to the Codification in mid-December with a 60-day comment period.

Issue No. 11-A, “Parent’s Accounting for the Cumulative Translation Adjustment upon the Sale or Transfer of a Group of Assets That Is a Nonprofit Activity or a Business within a Consolidated Foreign Entity”

Upon the sale or transfer of a group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a consolidated foreign entity, a parent would recognize in earnings a portion of the cumulative translation adjustment (CTA) associated with the disposed asset group. Entities would determine the amount of the CTA to be recognized in earnings in a systematic and rational manner that reflects an asset group’s relative portion of the CTA associated with the foreign entity.

The consensus-for-exposure clarifies the guidance for the release of the CTA into earnings upon the loss of a controlling financial interest in a subsidiary (thereby the substance of paragraph B53 of Statement 160, which was not codified, would be added to the Codification). Additionally, the current reference in Subtopic 830-30 to Subtopic 810-10 would be amended to cite the applicable paragraphs within Subtopic 810-10 (as opposed to the entire Subtopic).

The proposed amendments would be applied prospectively for derecognition events occurring after the effective date. Earlier application would be permitted.

(The Board voted unanimously for the above decision.)