

MINUTES



Financial Accounting
Standards Board

To: Board Members

From: Investment Properties and Investment
Companies Teams

Subject: Minutes of the August 24, 2011, Board
Meeting on Investment Properties and
Investment Companies

Date: August 30, 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: Board Meeting on Investment Properties and
Investment Companies

Basis for Discussion: Memo 13 and Memo 14 (Investment
Properties)

Length of Discussion: 10:05 AM to 11:20 AM (EST)

Attendance:

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

Board members absent: None

Staff in charge of topic: Laungani

Other staff at Board table: Cosper, Stoklosa, Farber, Glotzer, Axt,
Carpenter

Staff participating via
videoconference: None

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Board met to discuss the development of proposed FASB Accounting Standards Updates providing accounting and reporting guidance for investment property entities and investment companies.

The FASB's technical plan calls for those documents to be issued in the third quarter of 2011.

Summary of Decisions Reached:

Investment Properties

1. The Board decided that an investor in an investment property entity would be permitted to use the net asset value practical expedient in Topic 820, Fair Value Measurement, to estimate the fair value of its investment if investors in the investment property entity would transact at net asset value per share. (Vote: 7-0)

Scope

2. The Board decided to remove the reference to "rental income only" from the *express business purpose* criterion to qualify as an investment property entity. In addition, the Board decided that the proposed Accounting Standards Update should include an example illustrating that an entity investing in real estate properties to collect rental income long term, but does not have an exit strategy for its investments, would not qualify as an investment property entity. (Vote: 7-0)
3. The Board decided to expand the scope of the exemption from the *unit ownership* and *pooling of funds* criteria to qualify as an investment property entity from a subsidiary that has a *single investor* who is required to measure its investments at fair value to a subsidiary whose *parent* is required to measure its investments at fair value. (Vote: 7-0)

Measurement

4. The Board decided that an investment property entity would initially measure its investment properties at transaction price, including transaction costs. (Vote: 7-0)

Revenue Recognition

5. The Board decided that rental revenue from investment properties would be recognized on a contractual basis. (Vote: 7-0)

Interests in Other Entities

6. The Board decided that an investment property entity's investment in either another investment property entity or an investment company, where the investment property entity can exercise significant influence over the investee, would be measured at fair value rather than applying the equity method of accounting. (Vote: 7-0) The Board also decided that an investment property entity would account for a controlling financial interest in an investment company under Topic 810, Consolidation. (Vote: 7-0)

Transition

8. The Board decided to prohibit early adoption of the guidance in the proposed Update. (Vote: 7-0)

Comment Period

9. The Board decided that the comment period for the proposed Update would coincide with the end date of the comment period for the proposed Update on investment companies. (Vote: 7-0)
10. The Board directed the staff to draft a proposed Accounting Standards Update for vote by written ballot. (Vote: 7-0)

Investment Companies

The Board decided that rental revenue from real estate properties would be recognized on a contractual basis. (Vote: 7-0)

General Announcements: None.