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December 12, 2011

TO: MEMBERS OF THE FASB EMERGING ISSUES TASK FORCE

Included are the final minutes of the November 3, 2011 meeting of the FASB Emerging Issues Task Force and an inventory of open issues for the next EITF meeting. Also included as exhibits are (a) the proposed Accounting Standards Update for Issue 11-A and (b) the final Accounting Standards Update for Issue 10-E.

Confidential marked versions of the minutes and the exhibits, which show changes from the November 17, 2011 Fatal Flaw draft, are being distributed under separate cover. After your review, please discard the confidential marked versions.

The proposed Update was posted to the FASB website on December 8, 2011. The final Update for Issues 10-E will be issued as soon as practicable depending on the finalization of other Board documents currently in our production department.

The next EITF meeting is scheduled for March 15, 2012. The extra EITF meeting date reserved for January 19, 2012, will not be utilized.

Please call me at 203.956.3479 if you have any questions.

Sincerely,
Michael P. Breen
Practice Fellow
mpbreen@fasb.org

Emerging Issues Task Force
Meeting Minutes
November 3, 2011

**MINUTES OF THE NOVEMBER 3, 2011 MEETING
OF THE FASB EMERGING ISSUES TASK FORCE**

Location: FASB Offices
401 Merritt 7
Norwalk, Connecticut

Thursday, November 3, 2011
Starting Time: 9:00 a.m.
Concluding Time: 11:17 a.m.

Task Force Members Present:
Susan M. Cosper (Chairman)
Mark M. Bielstein
James G. Campbell[1]
Mitchell A. Danaher
Stuart H. Harden
Jan R. Hauser
Carl Kampel
Mark LaMonte
Carlo D. Pippolo
Matthew L. Schroeder
Ashwinpaul C. (Tony) Sondhi[1]
Robert Uhl
Lawrence E. Weinstock
Judith H. O'Dell (PCFRC Observer)
Richard C. Paul (FinREC Observer)

Task Force Members Absent:
Paul A. Beswick (SEC Observer)

[1] Participated by telephone.

Others at Meeting Table:
Leslie F. Seidman, FASB Board Member
Larry W. Smith, FASB Board Member
Thomas J. Linsmeier, FASB Board Member
Marc A. Siegel, FASB Board Member
Russell G. Golden, FASB Board Member
R. Harold Schroeder, FASB Board Member
Daryl E. Buck, FASB Board Member
Shelly C. Luisi, SEC Senior Associate Chief Accountant
Michael P. Breen, FASB Practice Fellow
* Kenneth B. Bement, FASB Project Manager
* Kevin P. Catalano, FASB Practice Fellow
* Trent L. Handy, FASB Practice Fellow
* Heather L. Harris, FASB Industry Fellow
* Steven M. Kane, FASB Practice Fellow
* Shahid A. Shah, FASB Practice Fellow

* For certain issues only.

ADMINISTRATIVE MATTERS

- The EITF chairman announced that EITF members James G. Campbell and Ashwinpaul C. (Tony) Sondhi, were participating by telephone.

- The EITF chairman welcomed Judith H. O'Dell, PCFRC Observer, to the table. Ms. O'Dell had previously participated in one EITF meeting by telephone.

- The EITF chairman indicated that the terms had begun for the new members of the FASB Fellow Program. (Those members are: Practice Fellows Gautam Goswami, BDO USA, LLP; Rahul Gupta, Grant Thornton, LLP; Christopher G. Irwin, PricewaterhouseCoopers, LLP; Steven M. Kane, Ernst & Young, LLP; Shahid A. Shah, Deloitte & Touche, LLP; Cullen D. Walsh, KPMG, LLP; Industry Fellow Heather L. Harris, General Electric Company; and Associate Practice Fellow Lauren Alexander, Veris Consulting.)

- The EITF chairman announced that Mr. Mitchell A. Danaher, General Electric Company, would be stepping down as a member of the EITF and thanked him for his service. A new member to replace Mr. Danaher will be announced in the upcoming months.

- An FASB staff member announced that the FASB chairman made the following EITF agenda decisions regarding issues discussed at the July 27 and September 28, 2011 EITF Agenda Committee meetings:
    - Issues added to the EITF agenda:
        - 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." Refer to discussion of this Issue elsewhere in these minutes.
    - Issues not added to the EITF agenda:
        - Subsequent Out-Licensing of Assets Used in IPR&D That Were Acquired in a Business Combination
        - Capitalization of Interest Related to Bonds Guaranteed by the Federal Government
        - Accounting for Obligations That Have Joint and Several Liability within the Standalone Financial Statements of a Subsidiary under Common Control. Although this issue was not added to the EITF agenda at this time, a working group will be formed to assist the FASB staff in determining the scope of the Issue before the FASB chairman reconsiders whether it should be added to the EITF agenda.

- An FASB staff member announced that any consensuses-for-exposure reached at this meeting and any consensuses-for-exposure reached at prior meetings that are affirmed as consensuses at this meeting will be considered by the Board for ratification and exposure for public comment at the Board meeting on Wednesday, November 16, 2011.

- An FASB staff member announced that the next regularly scheduled EITF meeting is Thursday, March 15, 2012. The staff member also announced that a decision on the extra meeting date reserved for January 19, 2012, and the next EITF Agenda Committee meeting would be announced at a later date.

- An FASB staff member announced the following EITF meeting dates for 2012:
  - **Regular Meeting Dates**
    March 15, 2012
    June 21, 2012
    September 11, 2012
    November 1, 2012
  - **Extra Dates if Needed**
    January 19, 2012
    May 17, 2012
    July 26, 2012
    October 11, 2012.

DISCUSSION OF AGENDA TECHNICAL ISSUES

Issue No. 10-E

Title: Derecognition of in Substance Real Estate

Dates Discussed: September 16, 2010; November 19, 2010; June 23, 2011; November 3, 2011

Introduction

1. Subtopic 810-10, Consolidation—Overall (originally issued as FASB Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements*), requires that a parent deconsolidate a subsidiary if the parent no longer holds a controlling financial interest in the subsidiary. However, if the subsidiary being deconsolidated is in substance real estate, there are differing views in practice about whether the parent must satisfy the criteria in Subtopic 360-20, Property, Plant, and Equipment—Real Estate Sales (formerly issued as FASB Statement No. 66, *Accounting for Sales of Real Estate*), in order to derecognize the real estate in its statement of financial position in deconsolidation situations other than a legal form sale or transfer.

2. If the parent is required to apply the guidance in Subtopic 360-20 when the subsidiary is in substance real estate, generally the parent would not satisfy the requirements in Subtopic 360-20 to derecognize the real estate prior to the legal transfer of the real estate (or the ownership of the entity) to the lender and the extinguishment of the related nonrecourse indebtedness.[1] As a result, the parent would continue to include the real estate, debt, and the results of the entity's operations in its consolidated financial statements. That is, even if the parent is required to deconsolidate a subsidiary that is in substance real estate in accordance with Subtopic 810-10, the parent would be precluded from derecognizing the real estate if it does not satisfy the sale recognition requirements of Subtopic 360-20.

3. If the parent is not required to apply the guidance in Subtopic 360-20 because the transaction is not considered a sale or transfer of in substance real estate, then only Subtopic 810-10 would apply. Under Subtopic 810-10, the parent would deconsolidate the subsidiary, resulting in the derecognition of the real estate and related debt from its consolidated statement of financial position and recognition of a gain or loss for the difference between the carrying amounts of the real estate, related debt, and the fair value of any retained interest. The parent would report any interest retained in the previously consolidated entity in accordance with either Topic 323, Investments—Equity Method and Joint Ventures, or Topic 325, Investments—Other, whichever is appropriate.

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[1] In EITF Issue No. 91-2, "Debtor’s Accounting for Forfeiture of Real Estate Subject to a Nonrecourse Mortgage," the Task Force considered situations in which the Investor directly holds the real estate and debt. While the Task Force did not reach a consensus on Issue 91-2, the FASB staff view, which the SEC staff agreed with, was that the Investor would record a gain for the excess of the loan balance over the fair value of the property only on the extinguishment of the debt. Neither the Task Force discussion of Issue 91-2 nor the FASB staff view is included in the Codification.

Issue
4. This Issue seeks to resolve the differing views in practice about whether the guidance in Subtopic 360-20 applies to deconsolidation of in substance real estate.

Scope
5. This Issue applies to all reporting entities that cease to have a controlling financial interest (as described in Subtopic 810-10) in a subsidiary that is in substance real estate as a result of default on the subsidiary's nonrecourse debt.

Prior EITF Discussion
6. At the September 16, 2010 EITF meeting, the Task Force discussed whether, in certain circumstances, Subtopics 360-20 and/or 810-10 apply to the derecognition of in substance real estate. During the meeting, the FASB staff clarified that the requirements in Subtopic 360-20 that (a) the sale is consummated and (b) the usual risks and rewards of ownership are transferred would not be met until the legal transfer of the real estate and legal extinguishment of the related nonrecourse indebtedness are completed. The FASB staff also clarified that the derecognition requirement in Subtopic 360-20 that the buyer demonstrates a commitment to pay for the property would not be met until after the extinguishment of the related nonrecourse indebtedness.

7. One Task Force member disagreed and indicated that they believe that the only condition that is not substantively met is "the sale is consummated." That Task Force member also stated that economically, the lender is the buyer and has already "paid" for the property through the loan it advanced (thereby meeting the buyer's commitment to pay for the property). That Task Force member also indicated that they believe that the investor no longer has the usual risks and rewards of ownership because the investor has no further downside and has a non-economic option to acquire the property at a price above its fair value. However, other Task Force members noted that Subtopic 360-20 indicates that if the seller has an obligation or option to repurchase the property, the transaction should be accounted for as a financing, leasing, or profit sharing arrangement, even if the option price is above the fair value of the property.

8. Most Task Force members indicated that they believe that the guidance in Subtopic 360-20 is applicable for purposes of determining whether to derecognize real estate owned by a subsidiary that is in substance real estate in the consolidated financial statements of a reporting entity. Most Task Force members also indicated that they believe that the same derecognition requirements should be applied regardless of whether the real estate is directly owned or indirectly owned through a single-purpose in substance real estate subsidiary.

9. Some Task Force members noted that the primary reason that an investor would not be able to derecognize real estate under Subtopic 360-20 is because legal transfer of the property has not yet occurred. Those Task Force members supported making more targeted amendments to Subtopic 360-20 to address those concerns. Other Task Force members stated that they believe that such an approach might entail a broader reconsideration of the derecognition requirements of Subtopic 360-20 and were concerned with extending the scope of the Issue.

10. Other Task Force members noted that this Issue might have an even greater effect on lenders who have consolidated in substance real estate entities because they became the primary

beneficiaries of those entities under the variable-interest entity consolidation guidance. Those Task Force members noted that the scope of this Issue would seem to require those lenders to evaluate the requirements of Subtopic 360-20, as well, in order to derecognize in substance real estate that had been consolidated under those circumstances. Other Task Force members noted that they believe that if the debt is modified, the only criterion of Subtopic 360-20 that should apply to the lender is the evaluation of the borrower's commitment to pay for the property (that is, whether the new primary beneficiary of the in substance real estate entity has made an adequate initial and continuing investment in the entity).

11. Ultimately, Task Force members indicated that they believe that more analysis and outreach should be performed from the lender's standpoint prior to reaching a consensus-for-exposure. As a result, the Task Force directed the FASB staff to perform additional outreach to potentially affected lenders and further analyze the effect that application of Subtopic 360-20 would have on lenders or transactions other than legal form sales or transfers.

12. At the November 19, 2010 EITF meeting, the Task Force reached a tentative conclusion that the reporting entity must apply the guidance in Subtopic 360-20 to determine whether to derecognize real estate owned by an in substance real estate subsidiary that the reporting entity is required to deconsolidate. Some Task Force members believe that the accounting guidance for derecognition of real estate in Subtopic 360-20 requires that guidance to be applied only in situations in which the interests in a separate entity are sold and that entity is considered in substance real estate. A majority of Task Force members believe that if the reporting entity is required to deconsolidate in substance real estate, the same derecognition requirements in Subtopic 360-20 should be applied regardless of whether the real estate is owned directly by a reporting entity or indirectly through a reporting entity's single-purpose in substance real estate subsidiary. Those Task Force members also believe that Subtopic 360-20 should apply to deconsolidation of an entity that is in substance real estate regardless of whether control is lost through the sale of equity or variable interests in the subsidiary or through other means.

13. The Task Force also discussed whether Subtopic 810-10, as well as Subtopic 360-20, should be applied in circumstances under which entities being evaluated for consolidation are considered in substance real estate or whether those entities should be accounted for only in accordance with Subtopic 360-20. However, no decision was reached by the Task Force.

14. Some Task Force members raised concerns that in certain situations, the tentative conclusion may not be operable. Ultimately, the Task Force requested that the FASB staff perform additional research on the application of the proposed model that is based on the tentative conclusion with the assistance of a Working Group.

15. At the June 23, 2011 EITF meeting, the Task Force was asked to consider the feedback provided by the EITF Issue No. 10-E Working Group (meetings held on May 3 and 13, 2011) and to conclude on whether to affirm its tentative conclusion that the guidance in Subtopic 360-20 must be applied to the deconsolidation of in substance real estate subsidiary and whether application guidance should be provided. Some Task Force and Board members expressed concerns that the tentative conclusion would not reflect the economics when a reporting entity losses control of an in substance real estate subsidiary as a result of default on its nonrecourse

obligation and, thus, questioned whether the guidance in Subtopic 360-20 should be applied to the deconsolidation of an in substance real estate entity. Several Task Force members also inquired about the interaction of this Issue with the proposed joint revenue recognition project. The FASB staff noted that in the FASB and IASB's joint revenue recognition project, the Boards have tentatively decided that an entity should apply the recognition and measurement principles of the proposed revenue guidance for the derecognition of nonfinancial assets (including entities that are in substance real estate) that are not an output of an entity's ordinary activities, for the following:

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

16. Therefore, an entity would look to the definition and indicators of control in the proposed revenue recognition guidance to determine when the counterparty to the transaction obtains control of the asset (that is, real estate) and when to derecognize that asset (the real estate). Under the proposed revenue recognition guidance, indicators that the customer has obtained control of a good or service include, among others, the fact that the customer has legal title and physical possession. The proposed revenue recognition guidance would supersede the real estate sales guidance in Subtopic 360-20 when finalized. As noted in paragraph 15, an entity would derecognize an investment in the form of a financial asset that is considered to be in substance real estate in accordance with the proposed revenue recognition guidance.

17. The Task Force reached a consensus-for-exposure that when a parent of an in substance real estate subsidiary ceases to have a controlling financial interest (as described in Subtopic 810-10) in the subsidiary because of a default by the subsidiary on its nonrecourse debt, a reporting entity should apply the guidance in Subtopic 360-20 to determine whether to derecognize the in substance real estate. The Task Force decided to provide examples in the proposed Update to illustrate the application of Subtopic 360-20 for those specific situations. In reaching its consensus-for-exposure, the Task Force noted the following: (a) the same derecognition requirements (Subtopic 360-20) should apply regardless of whether the real estate is owned directly by the reporting entity or indirectly through the reporting entity's in substance real estate subsidiary, (b) Subtopic 360-10 requires a two-step impairment approach and does not permit the reporting entity to consider the carrying amount of the subsidiary's nonrecourse debt when evaluating the real estate asset for impairment, and (c) it would not be appropriate for the reporting entity to derecognize the in substance real estate subsidiary's nonrecourse debt before it has been legally released from its obligation in accordance with Subtopic 405-20, Liabilities—Extinguishments of Liabilities.

18. The Task Force also discussed the Working Group's recommendation that the Task Force recommend that the Board add a project to the FASB agenda to re-examine the impairment rules in Subtopic 360-10, Property, Plant, and Equipment—Overall (originally issued as FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*). During the Working Group meetings, some Working Group members expressed concerns that the application of such guidance may result in entities recognizing losses that will not be realized (that is, noneconomic losses). One Task Force member commented that if the FASB chairman

were to add such a project to the EITF agenda, its scope should not contemplate amending the impairment guidance in Subtopic 360-10 to address the issue. Rather, that Task Force member recommended that any such project should more holistically address accounting mismatches that may result between both financial and nonfinancial assets that may be linked to financial liabilities. Some Task Force members were supportive of a recommendation that the Board consider such a project; however, the majority of the Task Force did not believe that such a project was an immediate priority that would currently warrant such a recommendation to the Board.

Current EITF Discussion

19. At the November 3, 2011 EITF meeting, the Task Force was asked to consider the feedback received from the comment letters on the proposed Update for this Issue, which was posted to the FASB website on July 20, 2011, with a comment period that ended on October 3, 2011. Twelve comment letters were received on the proposed Update. The majority of the respondents agreed with the limited scope of the proposed Update and the applicability of the derecognition guidance in Subtopic 360-20 to determine when the reporting entity should derecognize the in substance real estate because of default by the subsidiary on its nonrecourse debt. However, a number of the respondents requested that the scope of the proposed Update be expanded to address lender's accounting in the event of a borrower ceasing to have a controlling financial interest as a result of default on its nonrecourse debt. Generally, those respondents requested that the accounting between the borrower and the lender be symmetrical. Some respondents also requested that the scope of the proposed Update be expanded to address situations in which an entity loses control on the basis of events other than default.

20. Some Task Force members inquired about the interaction of this Issue with the joint revenue recognition project, which would ultimately supersede Subtopic 360-20. The FASB staff noted that under that project the Boards have tentatively decided that for the derecognition of a nonfinancial asset, an entity would look to the definition and indicators of control in the proposed revenue recognition guidance to determine when to derecognize that asset. Currently, under Subtopic 360-20, certain criteria, including the transfer of title, would need to be met in order to derecognize the real estate. In addition, under Subtopic 360-20 an entity would not be permitted to have continuing involvement with the real estate. However, the continuing involvement criterion is not included as an indicator of control under the joint revenue recognition project.

21. A Board member expressed concern about the narrow scope of the consensus-for-exposure in the proposed Update and inquired about whether the Task Force should consider an alternative model that would require the reporting entity to determine whether an in substance real estate subsidiary is in substance an "asset" or an "entity." Accordingly, on the basis of that determination, the reporting entity would look to derecognition (or recognition) guidance for an "asset" or an "entity" rather than the approach illustrated in the proposed Update. Some Task Force members expressed support for that alternative model as it may address both the borrower's and the lender's accounting for in substance real estate. Some Task Force members noted that derecognition conclusions for the borrower under the consensus-for-exposure in the proposed Update would be similar to the derecognition conclusions under this alternative model. Those Task Force members also noted that affirming the consensus-for-exposure as a consensus

would eliminate diversity in practice as it pertains to the examples included in the proposed Update. Additionally, those Task Force members noted that they could consider whether a reporting entity should apply an "asset" or an "entity" model if the FASB chairman decides to add a project to the EITF agenda on lender's accounting. A Task Force member also observed that as a result of the narrow scope of the consensus, diversity in practice may continue in circumstances in which an investor loses control of a subsidiary that is in substance real estate and that event is not within the scope of this consensus.

22. Ultimately, the Task Force affirmed as a consensus its consensus-for-exposure that when a reporting entity ceases to have a controlling financial interest in a subsidiary that is in substance real estate as a result of a default on the subsidiary's nonrecourse debt, the reporting entity would apply the guidance in Subtopic 360-20 to determine whether it should derecognize the in substance real estate. The Task Force also recommended that the FASB chairman add a project to the EITF agenda to address lender's accounting in situations in which a borrower ceases to have a controlling financial interest in an in substance real estate entity because of a default on its nonrecourse debt. Some Task Force members acknowledged that conclusions reached on lender's accounting could affect the decision reached on this Issue and that it would be beneficial to complete those decisions prior to the effective date of this Issue.

Recurring Disclosures

23. The Task Force decided that no additional recurring disclosure requirements should be required by this Issue.

Effective Date, Transition Method, and Transition Disclosures

24. The Task Force affirmed as a consensus its consensus-for-exposure that the amendments resulting from this Issue shall be applied prospectively to deconsolidation events occurring after the effective date, with early application permitted. This consensus is consistent with the feedback received from the majority of the comment letter respondents.

25. The Task Force also reached a consensus that for public entities, the amendments will be effective for fiscal years, and interim periods within those years, beginning on or after June 15, 2012. For nonpublic entities, the amendments would be effective for fiscal years ending after December 15, 2013, and interim and annual periods thereafter. In determining the effective date for nonpublic entities, the Task Force considered the amount of time that nonpublic entities would need to adopt the amendments, including the education cycle for many preparers and auditors of nonpublic entities. An entity shall also provide the disclosures in paragraphs 250-10-50-1 through 50-3 in the period the entity adopts the amendments in the Update.

Board Ratification

26. At the November 30, 2011 meeting, the Board ratified the consensus reached by the Task Force on this Issue.

Status

27. Based on the Task Force recommendation and the comments received on the proposed Update, at the November 30, 2011 Board meeting, the FASB chairman announced the addition of a research project to the FASB agenda to explore when a reporting entity that consists of a

nonfinancial asset or nonfinancial assets should be accounted for as an in substance asset or as an entity. In consideration of that research project being added to the Board's agenda, the Board clarified that the amendments in the Accounting Standards Update resulting from this consensus do not address lender's accounting.

28. No further EITF discussion is planned.

Issue No. 11-A

Title: 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

Date Discussed: November 3, 2011

Introduction

1. A parent entity (parent) may enter into a transaction to sell or transfer a group of assets that resides in a consolidated foreign entity to an independent third party while retaining its ownership of the foreign entity. Alternatively, the group of assets may be sold directly by the foreign entity. Although the group of assets may represent only a portion of the foreign entity's total net assets, in some cases the group of assets meets the definition of a business as defined in Topic 805, Business Combinations. These transactions may or may not result in the proceeds being distributed from the foreign entity to the parent.

2. Topic 830, Foreign Currency Matters, provides for the cumulative translation adjustment (CTA) to be released into earnings upon the sale or upon complete or substantially complete liquidation of an investment in a foreign entity. Topic 810, Consolidation, provides for derecognition of the carrying amount of a former subsidiary's net assets when the parent ceases to have a controlling financial interest in that subsidiary. Subsequent to the issuance of FASB Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements*, 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 groups of assets that are nonprofit activities or businesses, other than those that are sales of in substance real estate or conveyances of oil and gas mineral rights. While the amendments in Update 2010-02 expanded the scope of Subtopic 810-10, the Board did not specifically address 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 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 is sold or transferred.

3. As a result of the uncertainty that exists in U.S. GAAP about whether a parent should apply the guidance in Section 830-30-40 or Subtopic 810-10 for the release of the CTA upon the occurrence of a transaction within the scope of paragraph 810-10-40-3A, there is diversity in practice when an entity disposes 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. Specifically, some entities apply the guidance in Subtopic 810-10 and recognize a portion of the CTA associated with the disposed group of assets in earnings, while other entities 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. The FASB staff indicated that if an entity disposes of a group of assets that is not a nonprofit activity or a business within the scope of Section 810-10-

40, that entity would apply Section 830-30-40 to determine whether the transaction is a sale or complete or substantially complete liquidation of its investment in the foreign entity.

Issue

4. This Issue seeks to resolve the diversity in practice about when and how a parent should recognize a portion of the CTA in earnings once a group of assets that resides in a consolidated foreign entity and is a nonprofit activity or a business within scope of Section 810-10-40 is sold or transferred.

Scope

5. This Issue applies to all entities that sell or transfer a group of assets within a consolidated foreign entity when (a) the group of assets is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights), (b) the functional currency of the consolidated foreign entity is not the parent's reporting currency, and (c) there is a CTA balance associated with that consolidated foreign entity.

Current EITF Discussion

6. At the November 3, 2011 EITF meeting, the Task Force discussed two views for resolving the divergence in U.S. GAAP for releasing the CTA 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. One view is to apply the consolidation guidance (Topic 810) while the other view is to apply the foreign currency guidance (Topic 830).

7. The Task Force also discussed whether a distribution to the parent must occur to permit the release of the CTA into earnings. Some Task Force members agreed with the requirement for a distribution to the parent to occur in concept; however, the Task Force decided against requiring such a distribution for either of the views for the following reasons:

a. It would be a different model than what is applied to sales or transfers of subsidiaries
b. A parent has ultimate control with respect to whether any distributions are made, the amounts of those distributions, and the use of those distributions (for example, the parent may recycle distributions back into the distributing subsidiary, thus bringing into question the rationale and original intent behind such distributions)
c. Questions might be raised about differences in timing of distributions and amounts required to support a release of the CTA.

8. The Task Force reached a consensus-for-exposure to apply the consolidations guidance. That is, a parent should release the related portion of the CTA upon the sale or transfer of a controlling financial interest in 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. In support of its conclusion, the Task Force indicated that this view is consistent with the direction of the amendments in Update 2010-02, which align the accounting for the loss of a controlling financial interest in a subsidiary with that for 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).

9. The Task Force discussed a second issue related to whether it should provide guidance on the measurement of the CTA allocation. The Task Force generally agreed with the FASB staff's recommendation that the amount of CTA entities should release into earnings should be determined in a systematic and rational manner that reflects an asset group's relative portion of the total CTA associated with the foreign entity (for example, a pro rata portion of the cumulative translation gain or loss attributable to the nonprofit activity or business based on the relative proportion of the net assets of the consolidated foreign entity at the date of disposition or the cumulative translation gain or loss attributable to specific assets and liabilities of the nonprofit activity or business).

10. The Task Force also reached a consensus-for-exposure to clarify 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 currently non-codified paragraph B53 of Statement 160 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).

Recurring Disclosures

11. The Task Force decided to not add specific disclosure requirements for this Issue. The Task Force observed that Subtopics 830-30 and 810-10 have existing disclosure requirements that should be applied, if applicable.

Transition Method and Disclosures

12. The Task Force reached a consensus-for-exposure that this Issue should be applied prospectively for derecognition events occurring after the effective date. Prior periods would not be adjusted. Early application is permitted.

Board Ratification

13. At the November 30, 2011 meeting, the Board ratified the consensus-for-exposure reached by the Task Force in this Issue and approved the issuance of a proposed Update for a 60-day public comment period.

Status

14. Further discussion is expected at a future EITF meeting.

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 March 15, 2012 meeting will be 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
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 Subsidiary	7/11	11/11	3/12	Bielstein	Harris/ Kane	The FASB staff will prepare an Issue Supplement addressing comments received on the proposed Update	Comment deadline February, 6, 2012; March 15, 2012 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	Statement 166 addressed this Issue and, therefore, the FASB staff will request that the Issue be removed from the EITF's technical agenda at a future meeting.	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	No immediate plans to address this Issue.	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, investment companies, 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	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