MINUTES

Financial Accounting Standards Board

To:	FASB Board Members		
From:	Accounting for Financial Instruments Team		
Subject:	May 21, 2012 Joint Board Meeting—Accounting for Financial Instruments: Impairment	**Date:**	May 24, 2012

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: Accounting for Financial Instruments: Impairment

Basis for Discussion: FASB: Memorandums 154–155
IASB: Agenda Papers 5, 5C

Length of Discussion: 11:21 a.m. to 12:00 p.m. EST

Attendance:

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

IASB: Hoogervorst, Mackintosh, Cooper, Danjou, Engstrom, Finnegan, Gomes, Kalavacherla, McConnell, Ochi, Pacter, Scott, Smith, Wei-Guo

Board members absent: None

Staff in charge of topic: Kapsis

Other staff at Board table: FASB: Stoklosa, Kane, Handy, and Walsh
IASB: Lloyd and Streckenbach

Outside participants: FASB: None

<u>Type of Document and Timing Based on the Technical Plan</u>:

The Board met to discuss issues relating to the development of an Accounting Standards Update addressing the accounting for financial instruments. The Board's technical plan calls for an exposure document to be issued in the second half of 2012.

<u>Summary of Decisions Reached</u>:

The FASB and the IASB discussed the application of the proposed expected credit loss model to lease receivables.

For lease receivables recognized as a result of the joint leases project, the Boards tentatively decided that an entity could elect either to fully apply the proposed "three-bucket" model or to apply a simplified approach in which those lease receivables would have an impairment allowance measurement objective of lifetime expected credit losses at initial recognition and throughout the lease receivables' life.

The simplified approach would reduce complexity in practice because an entity would not be required to track credit deterioration through the buckets of the three-bucket model.

The cash flows and the discount rate used in the measurement of the lease receivables would be used as the contractual cash flows and effective interest rate when assessing the lease receivables' impairment allowance.

11 IASB members and 4 FASB members agreed.

To address potential timing differences between the finalization of the proposed leases and impairment standards, the Boards tentatively decided that the same approach described above would apply for lease receivables recognized by a lessor under the existing guidance in IAS 17, *Leases,* and *FASB Accounting Standards Codification*® Topic 840, Leases.

14 IASB members and 7 FASB members agreed.