MINUTES

Financial Accounting Standards Board

To:	Board Members		
From:	Hegg (x233)		
Subject:	Minutes of January 30, 2013 Joint Board Meeting	**Date:**	February 1, 2013
cc:	Sutay		

The Board meeting minutes are provided for the information and convenience of constituents who want to follow the Boards' 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>Topics</u>: Revenue Recognition: Scope, repurchase agreements, effect of the revenue recognition model on asset managers, transfers of assets that are not an output of an entity's ordinary activities, and update on outreach regarding disclosure and transition proposals

<u>Basis for Discussion</u>: FASB Memorandums 166A/7A, 166B/7B, 166C/7C, 166D/7D, and 166E/7D

<u>Length of Discussion</u>: 7:30 a.m. to 11:07 a.m. EST

<u>Attendance</u>:

Board members present:	<u>FASB:</u> Seidman, Buck, Golden, Linsmeier, Schroeder, Siegel, and Smith
	<u>IASB:</u> Hoogervorst, Mackintosh, Cooper, Danjou, Edelmann, Engström, Finnegan, Gomes, Kalavacherla, McConnell, Ochi, Scott, Suh, Tokar, and Zhang
Board members absent:	None
Staff in charge of topic:	<u>FASB:</u> Bauer, North, Schilb, Harris, and Hegg
	<u>IASB:</u> McManus, Berchowitz, and Dara
Other staff at Board table:	<u>FASB:</u> Brickman, Passalugo, Proestakes, and Cosper
	<u>IASB:</u> Rees, Lloyd, and Eastman
Outside participants:	None

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

The Board met to discuss issues relating to the development of a final standard. The Boards' technical plan calls for that document to be issued early 2013.

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

The IASB and the FASB continued their joint redeliberations on the revised Exposure Draft, *Revenue from Contracts with Customers* (the 2011 ED). The Boards discussed the following topics:

1. Scope
2. Repurchase agreements
3. Effect of the revenue recognition model on asset managers
4. Transfers of assets that are not an output of an entity's ordinary activities
5. Update on outreach regarding disclosure and transition proposals.

Scope

The Boards tentatively decided to confirm the scope of the 2011 ED, including the definition of a customer.

The Boards also tentatively decided to clarify:

1. That a collaborative arrangement (as described in paragraph 10 of the 2011 ED) is not limited to the development and commercialization of a product
2. That a contract with a collaborator or a partner is within scope of the revenue standard if the counterparty meets the definition of a customer
3. That the application of paragraph 11 of the 2011 ED specifies how an entity would apply the revenue standard when a contract with a customer is partially within the scope of the revenue standard and partially within the scope of other standards.

Repurchase Agreements

The Boards discussed the following topics related to the implementation guidance on repurchase agreements in paragraphs IG38–IG48/B38–B48 of the 2011 ED:

1. Sale-leaseback transactions that include a put option

2. Other amendments
3. Application questions
4. Call options—significant economic incentive not to exercise.

Sale-Leaseback Transactions That Include a Put Option

The Boards tentatively decided that a sale-leaseback transaction that includes a put option with a repurchase price that is less than the original sales price and for which the customer has a significant economic incentive to exercise would be accounted for as a financing.

Other Amendments

The Boards tentatively decided to remove the word *unconditional* from the implementation guidance for repurchase agreements.

The Boards clarified that in a product financing arrangement (that is, when an entity sells a product to another entity and repurchases that product as part of a larger component for a higher price) an entity would exclude the processing costs from the repurchase price in determining the amount of interest.

Application Guidance

The Boards considered the application of the implementation guidance on repurchase agreements in the 2011 ED to the following scenarios and tentatively decided that no amendments to the guidance were necessary:

1. Sale of a good to a customer with a guarantee that the customer will receive a minimum amount upon resale—the Boards confirmed that the existence of the guarantee would not preclude the transfer of control of the product to the customer.
2. Sale of a good to a customer that is subsequently repurchased for the purposes of leasing to the customer's customer—the Boards confirmed that the repurchase of the good by the entity subsequent to the customer obtaining control of that good does not constitute a repurchase agreement as described in paragraph IG38/B38. However, in determining whether the customer obtained control of the good, an entity should consider the principal versus agent considerations in paragraphs IG16–IG19/B16–B19.

Call Option—Significant Economic Incentive Not to Exercise

The Boards tentatively decided not to amend the 2011 ED to require an entity to consider whether it has a significant economic incentive not to exercise a call option when applying the implementation guidance for repurchase agreements.

Effect of the Revenue Recognition Model on Asset Managers

The Boards discussed the application of the 2011 ED to the asset management industry. Specifically, the application of the:

1. Constraint on revenue recognized
2. Contract cost proposals.

Constraint on Revenue Recognized

The Boards tentatively confirmed their proposal in the 2011 ED that an asset manager's performance-based incentive fees should be subject to the constraint on revenue recognized (as amended at the November 2012 joint Board meeting).

Contract Costs Proposals

The Boards tentatively decided that no changes should be made to the contract cost proposals in the 2011 ED for upfront commission costs incurred in some asset management arrangements.

The FASB also tentatively decided to retain the cost guidance for financial services—investment companies in paragraph 946-605-25-8.

Transfers of Assets That Are Not an Output of an Entity's Ordinary Activities

The Boards tentatively decided to confirm the consequential amendments proposed in the 2011 ED for transfers of nonfinancial assets that are not an output of an entity's ordinary activities. Those amendments would require an entity to apply the control and measurement requirements (including the constraint on revenue recognized) from the revenue model for the purposes of determining when the asset should be derecognized and the amount of consideration to be included in the gain or loss recognized on transfer.

The Boards also tentatively decided that the requirements in paragraphs 13–15 of the 2011 ED for determining whether a contract exists should apply to transfers of nonfinancial assets that are not an output of an entity's ordinary activities.

Update on Outreach Regarding Disclosure and Transition Proposals

The staff provided the Boards with a summary of the feedback received on the Boards' proposed disclosure and transition requirements in the 2011 ED. This feedback was received through comment letters, outreach, and workshops held in Japan, the United Kingdom, and the United States that included both preparers and users. No decisions were made. The issues will be discussed by the Boards in February 2013.

Next Steps

The Boards will continue redeliberations on the 2011 ED in February 2013.

General Announcements: None.