

MINUTES



MEMORANDUM

To: Board Members
From: FASB staff
Subject: Minutes of February 19, 2014 Board Meeting: Endorsement of PCC Decisions
Date: February 26, 2014
cc: Stacey Sutay

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: PCC Endorsement, Applying Variable Interest Entity Guidance to Common Control Leasing Arrangements

Basis for Discussion: Board Memorandum PCC 14

Length of Discussion: 11:20 to 11:35 a.m. EST

Attendance:

Board members present: Golden, Buck, Kroeker, Linsmeier, Schroeder, Siegel, and Smith
Board members absent: None
Staff in charge of topic: Cheng and Gupta
Other staff at Board table: None
Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Board met to discuss the endorsement of PCC Issue No. 13-02, "Applying Variable Interest Entity Guidance to Common Control Leasing Arrangements," and whether to affirm the decision to remove the FSP example.

Tentative Board Decisions:

The Board endorsed the following decisions made by the PCC at its January 28, 2014 meeting.

PCC Issue No. 13-02, "Applying Variable Interest Entity Guidance to Common Control Leasing Arrangements"

A private company may elect not to apply VIE guidance to a lessor entity if all of the following criteria are met:

- a. The private company (the reporting entity) and the lessor entity are under common control
- b. The private company has a leasing arrangement with the lessor entity
- c. Substantially all of the activity between the private company and lessor entity relates to the leasing arrangement
- d. Any obligation of the lessor that is being guaranteed or collateralized by the private company could (have the ability to), at inception of the obligation, be sufficiently collateralized by the asset(s) leased to the private company. The Board noted that this criterion will be edited to more clearly reflect the intent of the PCC's decisions.

Under this alternative, a private company would replace VIE disclosures about the lessor entity with both of the following:

- a. The amount and key terms of significant liabilities recognized by the lessor entity that expose the private company lessee to providing significant financial support to the lessor entity
- b. A qualitative description of significant arrangements not recognized by the lessor entity that expose the private company lessee to providing financial support to the lessor entity.

The PCC decision was endorsed by the affirmative vote of 7 Board members. For further details, refer to the January 28, 2014 [PCC Decision Overview](#).

The Board also affirmed its decision to remove an example derived from FSP FIN 46(R)-5, "Implicit Variable Interests under FASB Interpretation No. 46," which is codified in paragraphs 810-10-55-87 through 55-89.

(Vote: 7 to 0)

The Board directed the staff to draft a final Accounting Standards Update for vote by written ballot.

General Announcements: None.