

MINUTES



To: FASB Board Members

From: Accounting for Financial Instruments Team

Subject: February 26, 2014, Board Meeting—
Accounting for Financial Instruments: Classification and Measurement

Date: March 5, 2014

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: Classification and Measurement

Basis for Discussion: Memorandums 256 and 260

Length of Discussion: 9:00 a.m. to 9:45 a.m. EST

Attendance:

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

Board members absent: None

Staff in charge of topic: Gupta and Milone

Other staff at Board table: Cospers, Esposito, and Debbink

Outside participants:

Type of Document and Timing Based on the Technical Plan:

The Board met to discuss issues relating to the development of an Accounting Standards Update addressing accounting for financial instruments. The Board issued an Exposure Document in the first quarter of 2013.

Tentative Board Decisions:

The Board continued redeliberating the proposed Accounting Standards Update, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, specifically discussing (1) the need for a contractual cash flow characteristics assessment and (2) a fair value option for hybrid financial assets.

Cash Flow Characteristics Assessment

The Board decided not to incorporate a test to assess the cash flow characteristics of financial assets. In addition, the Board decided to require equity investments to be measured at fair value with changes in the fair value recognized in net income (FV-NI), except for certain investments that are accounted for under the equity method of accounting and those that qualify for the practicability exception to fair value measurement. (Vote: 6 to 1)

The Board asked the staff to identify any financial assets that, because of their complexity or risk profile, should be measured at FV-NI. The Board would consider the classification and measurement for those instruments at a future meeting.

Fair Value Option for Hybrid Financial Instruments

The Board decided to allow a fair value option for hybrid financial instruments (both assets and liabilities) only when the entity has determined that the instruments contain embedded derivative features requiring bifurcation and separate accounting. (Vote: 7)

General Announcements: None.