

MINUTES



MEMORANDUM

**To:** FASB Board Members

**From:** Accounting for Financial Instruments Team

**Subject:** May 14, 2014, Board Meeting—  
Accounting for Financial  
Instruments: Classification and  
Measurement

**Date:** May 16, 2014

**cc:**

*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 267, 268, 269, and 272

Length of Discussion: 8:45 to 11:28 a.m., 1:12 to 1:22 p.m. EDT

Attendance:

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

Board members absent: None

Staff in charge of topic: Gupta

Other staff at Board table: Cospers, Esposito, Milone, 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 February 2013 proposed Accounting Standards Update, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, specifically discussing the following topics:

1. Scope of equity investments to be classified in the trading category
2. Available-for-sale classification for certain equity investments
3. Clarifications to the practicability exception from classifying all equity investments in the trading category
4. Impairment assessment of equity investments that are not measured at fair value through net income
5. Evaluation of the valuation allowance on a deferred tax asset related to debt securities classified in the available-for-sale category
6. Accounting for pools of similar financial assets
7. Accounting for loan commitments, revolving lines of credit, and commercial letters of credit
8. Recognition and measurement of foreign currency gains and losses on debt securities classified as available for sale.

*Scope of Equity Investments to Be Classified in the Trading Category*

The Board discussed whether it should retain the definition of equity security in current U.S. GAAP or affirm the revised definition of equity investment proposed in the Exposure Draft for determining which financial instruments would be classified in the trading category. The Board did not make a decision. It asked the staff to further analyze two issues:

1. Implication of using the word *investment* instead of *security*
2. How certain forward contracts to acquire or dispose of an ownership interest should be classified.

*Available-for-Sale Classification for Certain Equity Investments*

The Board did not make a decision; it asked the staff to explore whether parameters could be developed to define *strategic equity investments* that would be eligible for available-for-sale classification.

*Clarifications to the Practicability Exception from Classifying All Equity Investments in the Trading Category*

The Board decided to provide additional implementation guidance to clarify the following:

1. Level of effort that preparers should exert to identify observable price changes
2. The concept of a similar investment of the same issuer.

[Board vote: 7:0]

*Impairment Assessment of Equity Investments That Are Not Measured at Fair Value through Net Income*

The Board did not make a decision on this issue. The Board asked the staff to perform further analysis on the application of the one-step impairment model to equity method investments and equity investments that qualify for the practicability exception.

*Evaluation of the Valuation Allowance on a Deferred Tax Asset Related to Debt Securities Classified in the Available-for-Sale Category*

The Board decided that the assessment of a valuation allowance for a deferred tax asset related to an available-for-sale debt security should be made *in combination* with the entity's other deferred tax assets. [Board vote: 4:3]

*Accounting for Pools of Similar Financial Assets*

The Board decided not to provide guidance on the recognition and measurement of pools of similar financial assets. [Board vote: 7:0]

*Accounting for Loan Commitments, Revolving Lines of Credit, and Commercial Letters of Credit*

The Board decided to retain current U.S. GAAP on accounting for loan commitments, revolving lines of credit, and commercial letters of credit. [Board vote: 7:0]

*Recognition and Measurement of Foreign Currency Gains and Losses on Debt Securities Classified as Available-for-Sale*

The Board decided to retain current U.S. GAAP for recognition and measurement of foreign currency gains and losses on debt securities classified as available for sale. [Board vote: 7:0]

**General Announcements:** None.