

MINUTES



MEMORANDUM

To: Board Members
From: Agenda Prioritization
Subject: August 13, 2014, Board Meeting—
Agenda Prioritization
Date: August 20, 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: Agenda Prioritization

Basis for Discussion: **Cover Memo**
Memo 1—Presentation of Debt Issuance Cost
Memo 1—Measurement Date of Plan Assets
Memo 1 (Revised)—Balance Sheet
Classification of Debt
Memo 1—Accounting for Income Taxes
Memo 12—Cash Balance Pension Plans
Memo 1—Fair Value Hierarchy Levels for
Certain Investments Measured at Net Asset
Value
Memo 1—Effects on Historical Earnings per
Unit of Master-Limited-Partnership-Dropdown
Transactions

Length of Discussion: 8:00 a.m. to 10:40 a.m.

Attendance:

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

Board members absent: None

Staff in charge of topic: C. Walsh

Other staff at Board table: Cospers, Hillenmeyer, Pollock, Hood, Wyss, A. Smith, Proestakes, Gupta (by phone), and Kennedy

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Board met to discuss issues relating to Agenda Prioritization. Additionally, the Board discussed issues relating to the development of Exposure Drafts addressing both presentation of debt issuance costs and measurement date of defined benefit plan assets.

Tentative Board Decisions:

The Board discussed the results of staff research on seven potential projects and made the following decisions.

The Board added the following four projects to its agenda:

1. Presentation of debt issuance costs—The project is expected to simplify the accounting by aligning the presentation of debt discount or premium and issuance costs.

(Vote: unanimous)

2. Measurement date of defined benefit plan assets—The project is expected to reduce costs by aligning the measurement date of defined benefit plan assets with the date that valuation information and the fair values of plan assets are provided by third-party service providers. An entity with a fiscal year-end that does not fall on the end of a month would be eligible to measure its defined benefit plan assets and liabilities as of the month end that is closest to the employer's fiscal year-end.

(Vote: 6 to 1)

3. Balance sheet classification of debt—The project is expected to reduce cost and complexity by replacing the fact-pattern specific guidance in GAAP with a principle to classify debt as current or noncurrent based on the contractual terms of a debt arrangement and an entity's current compliance with debt covenants.

(Vote: unanimous)

4. Accounting for income taxes—The project is expected to simplify accounting for income taxes by:
 - a. Eliminating the requirement in GAAP for entities that present a classified statement of financial position to classify deferred tax assets and liabilities as current and noncurrent, and instead requiring that they classify all deferred tax assets and liabilities as noncurrent in the statement of financial position.

(Vote: unanimous)

- b. Eliminating the prohibition in GAAP on the recognition of income taxes for the intra-entity differences between the tax basis of the assets in a buyer's tax jurisdiction and their cost as reported in the consolidated financial statements, and instead requiring recognition of the income tax consequences associated with an intra-entity transfer when the transfer occurs.

(Vote: 5 to 2)

The Board added the following two projects to the EITF's agenda:

1. Fair value hierarchy levels for certain investments measured at net asset value (NAV)—The project is expected to reduce diversity in practice related to the categorization of certain investments measured at NAV within the fair value hierarchy.

(Vote to add project: 6 to 1)

(Vote to add project to EITF's agenda: 4 to 3)

2. Effects on historical earnings per unit (EPU) of master limited partnership (MLP) dropdown transactions—The project is expected to address how to calculate EPU for periods before the date of a dropdown transaction accounted for as a reorganization of entities under common control that occurs after formation of the MLP.

(Vote to add project: unanimous)

(Vote to add project to EITF's agenda: 6 to 1)

The Board decided not to undertake a project about accounting for cash balance pension plans. (Vote: unanimous)

In addition to adding projects to its agenda, the Board began deliberations on two of the projects:

Simplifying the Presentation of Debt Issuance Costs

The Board decided that debt issuance costs should be considered a reduction of the debt liability for presentation purposes.

(Vote: 4 to 3)

The Board decided that the guidance should be applied retrospectively.

(Vote: 5 to 2)

Additionally, the Board decided that disclosures in paragraphs 250-10-50-1 through 50-3 should be provided upon transition.

(Vote: unanimous)

The Board directed the staff to draft a proposed Accounting Standards Update for vote by written ballot, with a comment period of 60 days.

(Vote: unanimous)

Simplifying the Measurement Date of Plan Assets and Obligations

The Board decided that an employer with a fiscal year-end that does not fall at the end of a month may make an accounting policy election to (1) measure plan assets as of the end of the month that is closest to its fiscal year-end and (2) measure the defined benefit liability as of that alternative measurement date.

(Vote: unanimous)

The Board decided that employers should be required to include a reconciling item in the disclosures about the fair value and categories of plan assets and the Level 3 rollforward for contributions made between the measurement date and an employer's fiscal year-end.

(Vote: 5 to 2)

The Board decided that an employer should disclose the accounting policy election, including the measurement date.

(Vote: unanimous)

The Board decided that the guidance should be applied prospectively.

(Vote: unanimous)

The Board decided that the only transition disclosure is the nature of and reason for the change in accounting principle.

(Vote: unanimous)

The Board directed the staff to draft a proposed Accounting Standards Update for vote by written ballot, with a comment period of 60 days.

(Vote: unanimous)

General Announcements: None.