MINUTES

To:	Board Members		
From:	Silver (x399)		
Subject:	Minutes of the October 8, 2014 Board Meeting: Ratification of Two EITF Consensuses and Two EITF Consensuses-for-Exposure	**Date:**	October 15, 2014
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.

Topics: Board ratification of the consensuses reached on EITF Issues No. 12-G and No. 13-F and the consensuses-for-exposure reached on EITF Issues No. 14-A and 14-B

Basis for Discussion: EITF Ratification Memorandum No. 1 (issued on September 25, 2014)

Length of Discussion: 10:00 to 10:15 p.m. EDT

Attendance:

Board members present:	Golden, Buck, Kroeker, Linsmeier, Schroeder, Siegel, and Smith
Board members absent:	None
Staff in charge of topic:	Hillenmeyer, Gupta, Pollock, A. Smith
Other staff at Board table:	Proctor, Silver
Outside participants:	None

Type of Document and Timing Based on the Technical Plan:

The Board met to discuss the potential issuance of final Accounting Standards Updates addressing EITF Issues No. 12-F, "Pushdown Accounting," and No. 13-G, "Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity," and to discuss the potential issuance of proposed Accounting Standards Updates addressing EITF Issues No. 14-A, "Effects on Historical Earnings per Unit of Master Limited

Partnership Dropdown Transactions," and No. 14-B, "Fair Value Hierarchy Levels for Certain Investments Measured at Net Asset Value."

<u>Tentative Board Decisions</u>:

FASB Ratification of Two EITF Consensuses

The Board ratified the following consensuses reached at the September 18, 2014 EITF meeting and approved issuance of the related final Accounting Standards Updates.

Issue No. 12-F, "Pushdown Accounting"

These amendments will provide an acquired entity and its subsidiaries with an option to apply pushdown accounting in its separate financial statements upon occurrence of an event in which an acquirer obtains control of the acquired entity. The election to apply pushdown accounting should be determined by an acquired entity for each individual change-in-control event in which an acquirer obtains control of the acquired entity. If pushdown accounting is not applied in the reporting period in which the change-in-control event occurs, an acquired entity will have the option to elect to apply pushdown accounting in a subsequent reporting period to the acquired entity's most recent change-in-control event as a change in accounting principle. If pushdown accounting is applied to an individual change-in-control event, that election is irrevocable.

(The Board voted 5-2 for the above decision)

Issue No. 13-G, "Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity"

For hybrid financial instruments issued in the form of a share, an entity (an issuer or an investor) should determine the nature of the host contract by considering all stated and implied substantive terms and features of the hybrid financial instrument, weighing each term and feature on the basis of relevant facts and circumstances. That is, an entity should determine the nature of the host contract by considering the economic characteristics and risks of the entire hybrid financial instrument, including the embedded derivative feature that is being evaluated for separate accounting from the host contract.

In evaluating the stated and implied substantive terms and features, the existence or omission of any single term or feature does not necessarily determine the economic characteristics and risks of the host contract. Although an individual term or feature may be weighted more heavily in the evaluation on the basis of facts and circumstances, an entity should use judgment based on an evaluation of all the relevant terms and features. For example, the presence of a fixed-price, noncontingent redemption option held by the investor in a convertible preferred stock contract is not, in and of itself, determinative in the evaluation of whether the nature of the host contract is more akin to a debt instrument or more akin to an equity instrument. Rather, the nature of the host contract depends on the economic characteristics and risks of the entire hybrid financial instrument.

(The Board voted 6-1 for the above decision.)

FASB Ratification of Two EITF Consensuses-for-Exposure

The Board ratified the following consensuses-for-exposure reached at the September 18, 2014 EITF meeting and decided to expose the resultant proposed Update for public comment for a period of 75 days.

Issue No. 14-A, "Effects on Historical Earnings per Unit of Master Limited Partnership Dropdown Transactions"

The proposed amendments specify that, for purposes of calculating historical earnings per unit under the two-class method, the earnings (losses) of a transferred business before the date of a dropdown transaction would be allocated entirely to the general partner interest. In that circumstance, the previously reported earnings per unit of the limited partners (which is typically the earnings per unit measure presented in the financial statements) would not change as a result of the dropdown transaction.

(The Board voted unanimously for the above decision)

Issue No. 14-B, "Fair Value Hierarchy Levels for Certain Investments Measured at Net Asset Value"

Current GAAP requires that investments for which fair value is measured at net asset value (or its equivalent) using the practical expedient in Topic 820 be categorized within the fair value hierarchy using criteria that differ from the criteria used to categorize other fair value measurements within the hierarchy.
Rather than utilizing criteria that differ from the criteria for categorizing other fair value measurements in the fair value hierarchy, the proposed amendments would no longer require investments for which fair value is measured at net asset value (or its equivalent) using the practical expedient to be categorized in the fair value hierarchy.

A reporting entity would continue to disclose information on investments for which fair value is measured at net asset value (or its equivalent) using the practical expedient to help users understand the nature and risks of the investments.

(The Board voted unanimously for the above decision)

General Announcements: None