MINUTES

FASB FINANCIAL ACCOUNTING STANDARDS BOARD

MEMORANDUM

To: Board Members

From: Agenda Prioritization

Subject: March 18, 2015 Board Meeting—Agenda Prioritization **Date:** March 30, 2015

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**—Balance Sheet Offsetting **Memo 1**—Classification of Credit Card Processing Fees **Memo 1**—Accounting for Reacquired Rights in a Business Combination **Memo 1**—Accounting for Measurement Period Adjustments in a Business Combination **Memo 1**—Equity Method Simplifications—Accounting for Basis Difference and Retroactive Adjustment **Memo 1**—Simplification of Accounting for Embedded Put and Call Options in Debt Instruments **Memo 1**—Effect of Derivative Novations on Existing Hedge Accounting Relationships **Memo 1**—Accounting for the Premium or Discount Associated with the Purchase of Callable Loans and and Debt Securities **Memo 1**—Simplifying the Measurement of Asset Retirement Obligations
Length of Discussion:	1:45 p.m. to 4:55 p.m.
Attendance:	
Board members present:	Golden, Kroeker, Buck, Linsmeier, Siegel, L. Smith, and Schroeder
Board members absent:	None
Staff in charge of topic:	C. Walsh

Other staff at Board table: Cosper, Esposito, Proestakes, Hillenmeyer, C. Smith, Friend, Winters, Yepes, Milone, Hood, Barton, Kennedy, and Brown

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 retroactive adoption of the equity method and accounting for measurement period adjustments in a business combination.

Tentative Board Decisions:

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

The Board added the following three projects to its agenda:

1. Disclosures about interest income on purchased debt securities and loans—The project is expected to enhance the transparency of interest income on purchased debt securities and loans.

   (Vote: 6 to 1)

2. Simplification of the equity method of accounting—The project is expected to reduce cost and complexity by simplifying two aspects of the equity method of accounting:

   a. The requirement that an entity account for the difference between the cost of an investment and the amount of underlying equity in net assets of an investee (referred to as "basis difference") as if the investee were a consolidated subsidiary and related disclosures

      (Vote: 7 to 0)

   b. The requirement that an entity retroactively adopt the equity method of accounting if an investment that was previously accounted for on other than the equity method becomes qualified for use of the equity method by an increase in the level of ownership interest.

      (Vote: 7 to 0)

3. Simplification of accounting for measurement period adjustments in a business combination—The project is expected to simplify the accounting by removing the requirement to account for measurement period adjustments retrospectively.

   (Vote: 5 to 2)

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

1. Accounting for embedded put and call options in a debt instrument—The project is expected to clarify the existing guidance for assessing whether the economic characteristics and risks of an embedded put or call option in a debt instrument are clearly and closely related to the economic characteristics and risks of its debt host.

   (Vote: 5 to 2)

2. Effect of derivative contract "novations" on existing hedge accounting relationships—The project is expected to clarify if and when the novation of a derivative instrument that is part of an existing hedge accounting relationship under Topic 815 should result in a requirement to dedesignate that hedging relationship and, therefore, discontinue the application of hedge accounting.

   (Vote: 4 to 3)

The Board decided not to undertake the following three projects:

1. Accounting for reacquired rights in a business combination

   (Vote: 4 to 3)

2. Income statement presentation of credit card and other payment processing costs

   (Vote: 7 to 0)

3. Balance sheet offsetting of payables and receivables arising from securities lending transactions that are cleared through a regulated central counterparty and subject to a master netting arrangement.

   (Vote: 7 to 0)

The Board considered staff research about alternative ways the Board might simplify the measurement of asset retirement obligations. The Board directed the staff to perform additional research to evaluate the effects and costs associated with various measurement alternatives.

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

Simplifying the Equity Method of Accounting

Basis Difference

The Board decided to eliminate both the requirement that entities account for the basis difference as if the investee were a consolidated subsidiary and the related disclosures.

(Vote: 7 to 0)

The Board decided to require an entity to adopt this change using a modified prospective approach, which means an entity would cease amortization of all remaining basis differences as of the effective date of the change.

(Vote: 4 to 3)

The Board decided that in addition to providing the disclosures required by paragraphs 250-10-50-1(a) and 250-10-50-50-2 in the year of adoption, entities also would disclose the amortization of basis differences recognized in the comparable prior period.

(Vote: 7 to 0)

Retroactive Adjustment

The Board decided to eliminate the requirement that entities retroactively adopt the equity method of accounting if an investment that was previously accounted for on other than the equity method becomes qualified for use of the equity method by an increase in the level of ownership interest.

(Vote: 7 to 0)

The Board decided this change would apply prospectively to ownership level increases occurring after the effective date of the change.

(Vote: 7 to 0)

The Board decided that no disclosures would be required in the period of adoption.

(Vote: 7 to 0)

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: 7 to 0)

Accounting for Measurement Period Adjustments in a Business Combination

The Board decided that during the measurement period, an acquirer would recognize adjustments of provisional amounts in the reporting period in which the adjustment amount is determined. The acquirer would record, in that period, the cumulative effect on earnings of changes in depreciation, amortization, or other income effects, as a result of the change to the provisional amount.

(Vote: 7 to 0)

The Board decided that in the period of adoption entities would apply this change prospectively to adjustments of provisional amounts occurring after the effective date of this guidance.

(Vote: 7 to 0)

The Board decided to require in the period of adoption the disclosures described in paragraphs 250-10-50-1(a) and 250-10-50-2.

(Vote: 7 to 0)

The Board directed the staff to draft a proposed Accounting Standards Update for vote by written ballot, with a comment period of 45 days.

(Vote to draft proposed Update: 6 to 1)

(Vote on 45-day comment period: 7 to 0)

General Announcements: None.