

## MINUTES



**To:** Board Members  
**From:** Gwizdala (x263)  
**Subject:** Minutes of the April 7, 2015 Board Meeting: Ratification of Two EITF Consensuses and Three EITF Consensuses-for-Exposure  
**Date:** April 16, 2015  
**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 Nos. 14-A and 14-B and the consensuses-for-exposure reached on EITF Issues Nos. 15-A, 15-B, and 15-C.

**Basis for Discussion:** EITF Ratification Memorandum No. 1

**Length of Discussion:** 11:20 to 11:40 a.m. EDT

**Attendance:**

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

**Type of Document and Timing Based on the Technical Plan:**

The Board met to discuss the potential issuance of two final 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, "Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)," and to discuss the potential issuance of three proposed Accounting Standards Updates addressing EITF Issues No.

15-A, "Application of the Normal Purchases and Normal Sales Scope Exception to Certain Electricity Contracts within Nodal Energy Markets," No. 15-B, "Recognition of Breakage for Certain Prepaid Stored-Value Cards," and No. 15-C, "Employee Benefit Plan Simplifications."

**Tentative Board Decisions:**

*FASB Ratification of Two EITF Consensuses*

The Board ratified the following consensuses reached at the March 19, 2015 Emerging Issues Task Force meeting. The Board directed the staff to draft final Accounting Standards Updates reflecting those consensuses for a vote by written ballot.

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

The EITF reached a consensus 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 should be allocated entirely to the general partner interest. Qualitative disclosures about how the rights to the earnings (losses) differ before and after the dropdown transaction occurs for purposes of computing earnings per unit under the two-class method also are required.

(Vote: 7-0)

**Issue No. 14-B, "Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)"**

The EITF reached a consensus that would remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value of the investment as a practical expedient. Investments that calculate net asset value (or its equivalent), but for which the practical expedient is not applied, will continue to be included in the fair value hierarchy. The consensus also would remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to estimate the fair value using that practical expedient.

A reporting entity should continue to disclose information on investments for which fair value is measured using net asset value (or its equivalent) as a practical expedient to help users understand the nature and risks of the investments and whether the investments, if sold, are probable of being sold at amounts different from net asset value.

(Vote: 7-0)

*FASB Ratification of Three EITF Consensuses-for-Exposure*

The Board ratified the following consensus-for-exposure reached at the March 19, 2015 Emerging Issues Task Force meeting. The Board directed the staff to draft proposed Accounting Standards Updates reflecting those consensus-for-exposure for a vote by written ballot.

**Issue No. 15-A, "Application of the Normal Purchases and Normal Sales Scope Exception to Certain Electricity Contracts within Nodal Energy Markets"**

The EITF reached a consensus-for-exposure that the use of locational marginal pricing by an independent system operator to determine the transmission charge (or credit) does not constitute net settlement of a contract for the purchase or sale of electricity on a forward basis for delivery to a location within a nodal energy market, even in scenarios in which legal title to the associated electricity is conveyed to the independent system operator during transmission. Consequently, those contracts may be eligible to meet the physical delivery criterion of the normal purchases and normal sales scope exception. If the physical delivery criterion is met, along with all of the other criteria of the normal purchases and normal sales scope exception, an entity may elect to designate those contracts as normal purchases or normal sales.

(Vote: 7-0)

The Board decided to expose the related proposed Update for public comment for a period of approximately 25 days.

(Vote: 4-3)

**Issue No. 15-B, "Recognition of Breakage for Certain Prepaid Stored-Value Cards"**

The EITF reached a consensus-for-exposure that a prepaid stored-value card is a financial liability if the card (a) does not have an expiration date, (b) is not subject to unclaimed property laws, (c) is redeemable for cash or for goods and services (or both) only at third-party merchants, and (d) is not directly attached to a segregated bank account like a customer depository account.

The consensus-for-exposure proposes a narrow scope exception to the guidance in Subtopic 405-20 to require that breakage be accounted for consistent with Topic 606 for the sale of a prepaid stored-value card that is a financial liability. If an entity expects to be entitled to a breakage amount for a liability resulting from the sale of a prepaid stored-value card within the scope exception, the entity would derecognize the amount related to the expected breakage in proportion to the pattern of rights expected to be exercised by the card holder only to the extent that it is probable that a significant reversal of the recognized breakage amount will not subsequently occur. If an entity does not expect to be entitled to a breakage amount, the entity would derecognize the amount related to the breakage when the likelihood of the customer exercising its remaining rights becomes remote.

Entities also would disclose the methodology used for recognizing breakage for prepaid stored-value cards. (Vote: 7-0)

The Board decided to expose the related proposed Update for public comment for a period of approximately 60 days.

(Vote: 7-0)

## **Issue No. 15-C, "Employee Benefit Plan Simplifications"**

### *Issue I: Fully Benefit-Responsive Investment Contracts*

The EITF reached a consensus-for-exposure that fully benefit-responsive investment contracts would be measured, presented, and disclosed only at contract value. A plan would continue to provide disclosures that help users understand the nature and risks of the fully benefit-responsive investment contracts, including a description of the events that would cause the plan to transact at an amount different from contract value. The consensus-for-exposure would clarify that plans would not be required to provide the fair value disclosures in Topic 825 for fully benefit-responsive investment contracts.

### *Issue II: Plan Investment Disclosures*

GAAP requires plans to disclose (a) individual investments that represent 5 percent or more of net assets available for benefits and (b) the net appreciation or depreciation for investments by general type. The consensus-for-exposure would eliminate those requirements for both participant-directed investments and nonparticipant-directed investments.

Investments (both participant-directed and nonparticipant-directed investments) of employee benefit plans would be required to be grouped only by general type, eliminating the need to disaggregate the investments in multiple ways.

If an investment is measured at net asset value (or its equivalent) using the practical expedient in Topic 820 and that investment is in a fund that files an Internal Revenue Service Form 5500, *Annual Return/Report of Employee Benefit Plan*, as a direct filing entity, disclosure of that investment's strategy would no longer be required.

### *Issue III: Measurement Date Practical Expedient*

The consensus-for-exposure is intended to provide a practical expedient to permit plans to measure investments and investment related accounts as of a month-end date that is closest to the plan's fiscal year-end, when the fiscal period does not coincide with month-end.

If a plan applies the practical expedient and contributions, distributions, and/or significant events occur between the alternative measurement date and the plan's fiscal year-end, the plan would be required to disclose the amounts of those contributions, distributions, and significant events. The plan also would be required to disclose the accounting policy election and the date used to measure investments and investment related accounts.

(Vote: 7-0)

The Board decided to expose the related proposed Update for public comment for a period of approximately 25 days.

(Vote: 7-0)

**General Announcements:** None