

MINUTES



MEMORANDUM

To: Board Members

From: Accounting for Financial Instruments Team

Subject: April 22, 2015 Board Meeting—
Accounting for Financial Instruments: Impairment

Date: May 12, 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: Accounting for Financial Instruments:
Impairment

Basis for Discussion: FASB Memo No. 287—Purchased Credit
Impaired Assets

Length of Discussion: 9:10 a.m. to 10:30 a.m. (EDT)

Attendance:

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

Board members absent: None

Staff in charge of topic: Gupta and Pohlman

Other staff at Board table: Cosper, Esposito, Cahill, and Bjorkman

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Board continued redeliberations of its proposed Accounting Standards Update, *Financial Instruments—Credit Losses (Subtopic 825-15)*, to develop final guidance on impairment of financial assets.

A final Accounting Standards Update is expected to be issued in the second half of 2015.

Tentative Board Decisions:

The Board continued redeliberating the December 2012 proposed Accounting Standards Update, *Financial Instruments—Credit Losses (Subtopic 825-15)*, specifically discussing the scope of purchased credit impaired (PCI) assets.

Definition of PCI Assets

The Board decided to amend the definition of PCI assets in the proposed Update so that assets with *more than insignificant* credit deterioration since origination would be accounted for under a gross-up approach. Under the gross-up approach, the amortized cost of the PCI asset at initial recognition would be the sum of the purchase price and the associated expected credit loss at the date of purchase. The definition of PCI assets in the proposed Update only included assets that experienced a *significant* deterioration in credit quality since origination.

(Vote: 4-3)

Financial Assets Acquired in a Business Combination

The Board discussed whether all financial assets acquired in a business combination should be accounted for under the gross-up approach and decided that only those purchased assets in a business combination that qualify as PCI assets would be accounted for under the gross-up approach.

(Vote: 5-2)

General Announcements: None