

MINUTES



MEMORANDUM

To: Board Members

From: Clarifying the Definition of a Business Team
(Burgmeier x436)

Subject: Minutes of the May 21, 2015 Board Meeting

Date: May 28, 2015

cc: Stacey Sutay

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: Clarifying the Definition of a Business

Basis for Discussion: Board Memo No. 9

Length of Discussion: 9:30 a.m. to 10:37 a.m.

Attendance:

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

Board members absent: None

Staff in charge of topic: Burgmeier, Hillenmeyer

Other staff at Board table: Yepes, Proestakes, Brown C.

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Board met to discuss issues relating to the development of an Exposure Draft addressing the definition of a business.

The Board has not yet determined the timing of the release of that Exposure Draft.

Tentative Board Decisions:

Substantive Processes

The Board decided to include a framework to determine whether a substantive process is included in a set of acquired assets and activities.

The Board decided that when a set does not have outputs (for example, an early-stage company that has not generated revenues), in order to have a substantive process, the acquired set should include both of the following:

1. An organized workforce that has the skills, knowledge, or experience necessary to complete one or more acquired processes that are critical to the ability to create outputs.
2. Rights or access to inputs that are being or could be developed into goods or services that can be provided to customers.

The Board decided that if a set has outputs (for example, there is a continuation of revenues before and after the transaction), having outputs is not determinative on its own and an entity should exclude customer contracts, customer lists, leases, or other similar arrangements from the determination of whether the set has a substantive process. When the set has outputs, either of the following would indicate that the set includes a substantive process:

1. The set includes an organized workforce that has the skills, knowledge, or experience necessary to complete one or more acquired processes that are critical to the ability to create outputs.
2. The acquired process (or group of acquired processes together) is unique, scarce, or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

(Vote: 7-0)

Market Participant's Ability to Replace Missing Elements

The Board decided to remove the language in the current guidance that states that a business need not include all of the inputs and processes that the seller used in operating the business if market participants are capable of acquiring the

business and continuing to produce outputs. This requirement is replaced by the framework that describes when a set has a substantive process.

(Vote: 7-0)

Threshold

The Board decided that if substantially all the fair value of the gross assets acquired is concentrated in a single tangible or identifiable, intangible asset (or group of similar tangible or identifiable, intangible assets), the set is not a business. The Board directed the staff to develop indicators and examples to describe what constitutes similar assets.

(Vote on using a substantially all threshold: 7-0)

(Vote on applying the threshold to a group of similar assets: 5-2)

(Vote on comparing the single asset or group of similar assets to gross assets acquired: 7-0)

General Announcements: None.