

MINUTES



MEMORANDUM

**To:** Board Members  
**From:** FASB Staff  
**Subject:** Minutes of Simplifying the Equity  
Method of Accounting November 19, 2015 Board Meeting **Date:** December 4, 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: Summary of Feedback and Redeliberations

Basis for Discussion: Board Memos 5A, 5B

Length of Discussion: 9:00 a.m. to 10:30 a.m.

Attendance:

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

Staff in charge of topic: Yepes, Friend, Dickson

Other staff at Board table: Cosper, Proestakes, Smith

Outside participants: None

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

The Board met to begin redeliberations on the June 2015 proposed Accounting Standards Update, *Investments—Equity Method and Joint Ventures (Topic 323): Simplifying the Equity Method of Accounting*, by discussing a summary of comments received and next steps toward the issuance of guidance in a final Accounting Standards Update.

The Board's technical plan calls for a final Accounting Standards Update to be issued in the first quarter of 2016 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 or degree of influence.

**Tentative Board Decisions:**

The Board began redeliberations of the June 2015 proposed Accounting Standards Update, *Investments—Equity Method and Joint Ventures (Topic 323): Simplifying the Equity Method of Accounting*, by discussing a summary of comments received and next steps.

*Basis Difference*

The Board directed the staff to research additional alternatives for improving the equity method of accounting.

(Vote: 4-3)

*Increase in the Level of Ownership Interest or Degree of Influence*

The Board affirmed the proposal 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 or degree of influence.

(Vote: 7-0)

The Board decided to require entities that have an available-for-sale equity security that becomes eligible for equity method of accounting to recognize the unrealized holding gain or loss in accumulated other comprehensive income through earnings at the date in which the investment qualifies for use of the equity method.

(Vote: 4-3)

The Board affirmed the proposal to apply the changes prospectively to increases in ownership level or degree of influence occurring after the effective date of the change.

(Vote: 7-0)

The Board affirmed the proposal not to require that entities provide disclosures in the period this change is adopted.

(Vote: 7-0)

The Board decided that all entities should apply this change in fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Entities will have the option of early application.

(Vote: 7-0 for early application and public business entities effective date; 4-3 for private companies effective date)

The Board directed the staff to draft an Accounting Standards Update eliminating the requirement for entities to retroactively adopt the equity method of accounting for vote by written ballot.

(Vote: 6-0\*)

[\*One Board member abstained from voting until he can see a draft of the finalized Accounting Standards Update.]

**General Announcements:** None.