

MINUTES



MEMORANDUM

To: Board Members

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

Subject: Minutes of the January 6, 2016 Board Meeting

Date: January 13, 2016

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 Nos. 20A, 20B, and 20C

Length of Discussion: 9:25 A.M. to 11:30 A.M.

Attendance:

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

Board members absent: None

Staff in charge of topic: Burgmeier

Other staff at Board table: Cosper, Proestakes, Tanoue, Holle

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Board met to discuss issues on the development of an Exposure Draft addressing clarifying the scope of Subtopic 610-20, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets, and the accounting for partial sales of nonfinancial assets.

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

Tentative Board Decisions:

The Board discussed what types of transactions are partial sales, the partial sales model, what should be the scope of Subtopic 610-20, and in substance nonfinancial assets. The Board made the following decisions.

Partial Sales in the Scope of Subtopic 610-20

The Board decided that all transactions in which an entity retains an equity interest in the asset or receives an equity interest in the buyer (including contributions of nonfinancial assets to form joint ventures) would be in the scope of Subtopic 610-20. The guidance in Topic 845, Nonmonetary Transactions, on exchanges of nonfinancial assets for a noncontrolling ownership interest would be eliminated.

(Vote: 7 to 0)

Partial Sales Model

The Board decided that the unit of account when transferring a nonfinancial asset and retaining an equity interest in the asset or the buyer would be the entire underlying asset. This reverses the Board's previous decision that the unit of account is the partial interest transferred.

(Vote: 7 to 0)

The Board decided that any retained noncontrolling investment would be recorded at fair value. This reverses the Board's previous decision that the retained interest would be measured at carryover basis.

(Vote: 6 to 1)

Accounting When Control Is Not Transferred

The Board decided that the accounting for a transaction in which control of the nonfinancial asset does not transfer is dependent upon the reason why the asset is not derecognized. If the asset is not derecognized because the seller still consolidates the legal entity (for example, selling a noncontrolling interest in a subsidiary that only holds nonfinancial assets subject to Subtopic 610-20), the

transaction would be recorded as an equity transaction consistent with the guidance in Topic 810, Consolidation. If the entity cannot derecognize the nonfinancial asset because the requirements in paragraph 610-20-40-1 have not been met, the entity would record a contract liability as the offset for the consideration received.

(Vote: 6 to 1)

Liabilities

The Board decided that the buyer's assumption of the seller's liability would be consideration received in exchange for the nonfinancial asset that would be included in the calculation of the gain or loss.

(Vote: 4 to 3)

Scope of Subtopic 610-20 and In Substance Nonfinancial Assets

The Board decided that all businesses would be excluded from the scope of Subtopic 610-20.

(Vote: 7 to 0)

Groups of Assets or Subsidiaries That Are Not a Business

The Board decided that if a subsidiary or group of assets that is not a business is an in substance nonfinancial asset(s), all of the assets in the group or subsidiary would be subject to Subtopic 610-20. The Board also decided that if Subtopic 610-20 or no other GAAP applies to a group of assets, the entity would separate the assets and apply the applicable GAAP to each asset in a group of assets. The transfer of a subsidiary that is not a business for which the substance of the transaction is not subject to other GAAP (for example, Subtopic 610-20 or Topic 860 on financial assets) would continue to be accounted for in accordance with Topic 810.

(Vote: 5 to 2)

In Substance Nonfinancial Assets

The Board decided that when substantially all of the fair value is concentrated in nonfinancial assets, with an exception for cash and cash equivalents, groups of assets or subsidiaries that are not a business would be considered in substance nonfinancial assets.

(Vote: 5 to 2)

General Announcements: None.