MINUTES

FASB FINANCIAL ACCOUNTING STANDARDS BOARD

MEMORANDUM

To:	Board Members		
From:	McClaskey (x442)		
Subject:	Minutes of the June 29, 2016 Board Meeting: EITF Ratification	**Date:**	July 11, 2016
cc:	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: Board ratification of the consensus reached on EITF Issue No. 15-F, and the consensus-for-exposure reached on EITF Issue No. 16-B.

Basis for Discussion: EITF Ratification Memorandum No. 1

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

Attendance:

Board members present:	Golden, Kroeker, Buck, Linsmeier, Schroeder, Siegel, Smith
Board members absent:	None
Staff in charge of topic:	Pollock, Wyss, Kaestle
Other staff at Board table:	Cosper, Proestakes, Tanoue, McClaskey
Outside participants:	None

Type of Document and Timing Based on the Technical Plan:

The Board met to discuss the potential issuance of an Accounting Standards Update resulting from Emerging Issues Task Force Issue No. 15-F, "Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments." The Board also met to discuss the potential issuance of a proposed Update resulting from EITF Issue No. 16-B, "Employee Benefit Plan Master Trust Reporting."

Tentative Board Decisions:

Ratification of the EITF consensus. The Board ratified the consensus reached at the June 10, 2016 EITF meeting on the following EITF Issue. The Board directed the staff to draft an Update finalizing the consensus for vote by written ballot.

Issue No. 15-F, "Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments"

Issue 1: Debt Prepayment or Debt Extinguishment Costs
The Task Force reached a consensus that cash payments for debt prepayment or extinguishment costs should be classified as cash outflows for financing activities. The Task Force also concluded that those costs should include all costs for the prepayment or extinguishment of debt (that is, third-party costs, premiums paid to repurchase debt in an open-market transaction, and other fees paid to lenders).

Issue 2: Settlement of Zero-Coupon Debt Instruments and Other Debt Instruments with Insignificant Coupon Interest Rates
The Task Force reached a consensus that the guidance should be applied to debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, including debt instruments without a stated coupon interest rate (for example, commercial paper). The Task Force also reached a consensus to clarify that the guidance should not be applied to all other debt instruments.

The Task Force reached a consensus that at the settlement of debt instruments within the scope of the consensus, the portion of the cash payment attributable to accreted interest on the debt discount should be classified as cash outflows for operating activities and the portion of the cash payment attributable to the principal should be classified as cash outflows for financing activities.

Issue 3: Contingent Consideration Payments Made after a Business Combination
The Task Force reached a consensus that cash payments not made soon after the acquisition date of a business combination by an acquirer to settle a contingent consideration liability should be separated and classified as cash outflows for financing activities and operating activities.

The Task Force also reached a consensus that cash payments made soon after the acquisition date of a business combination by an acquirer to settle a contingent consideration liability should be classified as cash outflows for investing activities.

Issue 4: Proceeds from the Settlement of Insurance Claims
The Task Force reached a consensus that a reporting entity should classify the proceeds received from the settlement of insurance claims, excluding proceeds received from corporate-owned life insurance policies and bank-owned life insurance policies, on the basis of the insurance coverage (that is, the nature of the loss), including those proceeds that are received in a lump-sum settlement for which reasonable judgment is required to determine the classification on the basis of the nature of each loss.

Issue 5: Proceeds from the Settlement of Corporate-Owned Life Insurance Policies, including Bank-Owned Life Insurance Policies
The Task Force reached a consensus that cash proceeds received from the settlement of corporate-owned life insurance policies should be classified as cash inflows from investing activities.

The Task Force also reached a consensus to permit, but not require, alignment of the classification of premiums paid with the classification of proceeds received. Therefore, cash payments for premiums may be classified as cash outflows for investing activities, operating activities, or a combination of cash outflows for investing and operating activities.

Issue 6: Distributions Received from Equity Method Investees
The Task Force reached a consensus to permit an entity to make an accounting policy election to classify distributions received from an equity method investee using either the cumulative earnings approach or the nature of the distribution approach. If an entity elects to apply the nature of the distribution approach and the information to apply that approach to distributions received from an individual equity method investee is not available to the investor, the entity should apply the cumulative earnings approach for that investee in all subsequent periods.

The Task Force reached a consensus to require the same accounting policy election for all equity method investments of the reporting entity. However, if an entity elects to apply the nature of the distribution approach and determines that the necessary information for an individual equity method investee is not available to the investor, the entity would apply the cumulative earnings approach for that investee and the nature of the distribution approach for all other equity method investees.

Issue 7: Beneficial Interests in Securitization Transactions
The Task Force reached a consensus to require disclosure of a transferor's beneficial interest obtained in a securitization of financial assets as a noncash activity.

The Task Force also reached a consensus that cash receipts from payments on a transferor's beneficial interests in securitized trade receivables should be classified as cash inflows from investing activities.

Issue 8: Application of the Predominance Principle
The Task Force reached a consensus to provide additional guidance that clarifies when an entity should separate cash receipts and cash payments and classify them into more than one class of cash flows (including when reasonable judgment is required to estimate and allocate cash flows) and when an entity should classify the aggregate of those cash receipts and payments into one class of cash flows based on predominance. In applying the additional guidance, the classification of cash receipts and payments should be determined first by applying specific statement of cash flow guidance in Topic 230 and other applicable Topics. In the absence of specific guidance, a reporting entity should determine each separately identifiable source (for inflows) or each separately identifiable use (for outflows) within the cash receipts and cash payments on the basis of the nature of the underlying cash flows. A reporting entity should then classify in financing, investing, or operating activities the cash receipts and payments for each nature that was separately identified. In situations in which cash receipts and payments have aspects of more than one class of cash flows and those aspects cannot be separately identified by their nature (for example, when a piece of equipment is acquired or produced by an entity to be rented to others for a period of time and then sold), the classification should depend on the activity that is likely to be the predominant source or use of cash flows for the item.

(Vote: 6-0, 1 Abstention)

<u>Ratification of the EITF consensus-for-exposure.</u> The Board ratified the consensus-for-exposure reached at the June 10, 2016 EITF meeting on the following EITF Issue. The Board directed the staff to draft a proposed Update reflecting the consensus-for-exposure for vote by written ballot. The Board decided to expose the proposed Update for public comment for a period of 60 days.

(Comment Period Vote: 6-0, 1 Abstention)

Issue No. 16-B, "Employee Benefit Plan Master Trust Reporting"

Presentation
The Task Force reached a consensus-for-exposure that all plans should present their interest in the master trust and the change in interest in the master trust as single line items in the statement of net assets available for benefits and the statement of changes in net assets available for benefits, respectively.

Disclosure
The Task Force reached a consensus-for-exposure to add certain disclosures. Those disclosures include providing a plan's interest in each general type of

investment held by the master trust, for plans with a divided interest in the master trust, as well as disclosing the master trust's other assets and liabilities and the plan's interest in each of those balances, for all plans.

The Task Force decided not to require that plans disclose the master trust's statement of net assets available for benefits and the statement of changes in net assets available for benefits.

The Task Force also decided not to require individual plans to provide GAAP disclosures (for example Topics 815 on derivatives and hedging, 820 on fair value measurement, and 860 on transfers and servicing) for the underlying investments held by a master trust.

Lastly, the Task Force reached a consensus-for-exposure that a health and welfare benefit plan would not be required to provide investment disclosures (for example, Topics 815 and 820) for 401(h) accounts. However, the Task Force also reached a consensus-for-exposure to require disclosure of the defined benefit pension plan name within the health and welfare benefit plan so that all users can access the disclosure information relating to the 401(h) accounts if desired.

(Vote: 6-0, 1 Abstention)

General Announcements: None.