

MINUTES



MEMORANDUM

To: Board Members

From: Accounting for Interest Income
Associated with the Purchase of
Callable Debt Securities Team
(Jones x298)

Subject: Minutes of July 27, 2016 Board Meeting

Date: August 9, 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: Accounting for Interest Income Associated with the Purchase of Callable Debt Securities

Basis for Discussion: FASB Memo No. 3R

Length of Discussion: 10:45 a.m. to 11:45 a.m. (EST)

Attendance:

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

Board members absent: None

Staff in charge of topic: Maroney

Other staff at Board table: Cospers, Esposito, Smith, De Revere, Jones

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Board met to discuss issues relating to the development of a proposed Accounting Standards Update addressing accounting for interest income associated with the purchase of callable debt securities and interest income disclosures for all purchased financial assets.

The Board's technical plan calls for that proposed Update to be issued in the third quarter or in the early fourth quarter of 2016.

Tentative Board Decisions:

The Board discussed the following:

1. Scope of the amortization change for premiums on callable debt securities
2. Disclosures for interest income associated with purchased debt securities and loans
3. Transition, cost/benefit, and complexity
4. Permission to ballot a proposed Update and comment period.

Scope of Amortization Change for Premiums on Callable Debt Securities

The Board decided that the scope of the amortization change for premiums would include all callable debt securities, excluding those subject to Subtopic 325-40.

(Vote: 7-0)

Disclosures for Interest Income Associated with Purchased Debt Securities and Loans

The Board decided to move this topic to a pre-agenda phase and instructed the staff to perform more research.

(Vote: 4-3)

The Board also decided that further research on disclosures associated with outstanding premiums on callable debt securities is no longer necessary.

(Vote: 7-0)

Transition, Cost/Benefit, and Complexity

For the amortization change for premiums on callable debt securities, the Board decided to require modified retrospective transition. The Board decided that it has received sufficient information and analysis to make an informed decision on

the perceived costs and benefits of issuing guidance on this topic and decided that the benefits justify the costs.

(Vote: 6-1)

Permission to Ballot a Proposed Update and Comment Period

The Board directed the staff to draft a proposed Update on the amortization change of premiums on callable debt securities for vote by written ballot.

(Vote: 6-1)

The Board decided on a 45-day comment period for the forthcoming proposed Update.

(Vote: 7-0)

General Announcements:

The staff will proceed to draft a proposed Update for vote by written ballot.