

MINUTES



MEMORANDUM

To: Board Members

From: Clarifying the Definition of a Business team

Subject: Revised Minutes of the August 24, 2016 Board Meeting on Clarifying the Definition of a Business

Date: September 7~~2~~, 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: Clarifying the Definition of a Business

Basis for Discussion: FASB Memo Nos. 28A and 28B

Length of Discussion: 9:35am to 10:35am

Attendance:

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

Board members absent: None

Staff in charge of topic: Burgmeier

Other staff at Board table: Cosper, Proestakes, Yepes, Gilioli, Holle

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 final Accounting Standards Update, *Business Combinations (Topic 805), Clarifying the Definition of a Business*.

The Board's technical plan calls for that document to be issued in December 2016.

Tentative Board Decisions:

Threshold

The Board affirmed its decision to include the threshold as a practical screen. When applying the threshold, the set is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the threshold is not met, an entity would evaluate the rest of the implementation guidance to determine whether the set is the acquisition or disposition of a business or an asset or assets.

(Vote 6 to 0; 1 abstain)

When applying the threshold, the Board clarified that:

1. A single identifiable asset includes any asset that could be recognized and measured as a single identifiable asset under Topic 805, Business Combinations, for financial reporting purposes with the following exceptions:
 - a. A tangible asset that is attached to and cannot be physically removed and used separately from other tangible assets (or intangible asset representing the right to use a tangible asset), without incurring significant cost, significant diminution in utility, or fair value to either asset
 - b. In-place lease intangible assets (including favorable or unfavorable lease assets and liabilities) and related real estate assets should be considered a single asset.

(Vote 6 to 0; 1 abstain)

2. Deferred tax assets and the effects of deferred tax liabilities should be excluded from the gross assets acquired.

(Vote 6 to 0; 1 abstain)

3. Identifiable assets within the same major asset class that have significantly different risk characteristics should not be considered similar assets.

(Vote 4 to 2; 1 abstain)

Substantive Processes

The Board affirmed its decision that to be accounted for as a business, at a minimum, the set must include an input and a substantive process that together significantly contribute to the ability to create outputs.

(Vote 6 to 0; 1 abstain)

The Board decided that when a set does not have outputs, a set would need to include employees that perform a substantive process.

(Vote 6 to 0; 1 abstain)

The Board decided not to provide guidance on how to assess whether contracts for future goods or services entered into at the same time with the same counterparty are part of the set.

(Vote 6 to 0; 1 abstain)

The Board affirmed its decision that the presence of more than an insignificant amount of goodwill is an indicator that the acquired set includes a substantive process.

(Vote ~~46~~ to ~~20~~; 1 abstain)

Definition of Output

The Board affirmed its decision to define output as the result of inputs and processes applied to those inputs that provide goods or services to customers, other revenues, or investment income, such as dividends or interest.

(Vote 6 to 0; 1 abstain)

General Announcements: The Board will continue its redeliberations at a future meeting.