

MINUTES



MEMORANDUM

To: Board Members

From: Scope of Subtopic 610-20 and
Partial Sales of Nonfinancial Assets
Project Team (Dhimmar x470)

Subject: Minutes of October 10, 2016, Board Meeting

Date: October 14, 2016

cc: Stacey Sutay (x270)

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: Redeliberations on Clarifying the Scope of Subtopic 610-20 and Accounting for Partial Sales of Nonfinancial Assets

Basis for Discussion: Board Memo Nos. 29A and 29B

Length of Discussion: 8:00 a.m. to 8:50 a.m.

Attendance:

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

Board members absent: None

Staff in charge of topic: Dhimmar

Other staff at Board table: Cospers, Proestakes, Yepes, Gilioli, Holle, Engmann

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Board met to redeliberate comments received on the June 2016 proposed Accounting Standards Update, *Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets*.

The Board's technical plan calls for a final Update to be issued by the end of Q4 2016.

Tentative Board Decisions:

The Board made the following decisions related to the scope, transition method, and effective date:

Scope

1. The Board decided to exclude transactions between entities under common control from the scope of Subtopic 610-20. **(Vote: 6 to 0, 1 abstain)**
2. The Board affirmed its decision to exclude nonfinancial assets transferred in the form of a legal entity from the scope of Subtopic 610-20 if all of the assets in the legal entity do not meet the definition of in substance nonfinancial assets. In that case, the legal entity (including the nonfinancial assets) would be deconsolidated in accordance with Topic 810, Consolidation. **(Vote: 6 to 0, 1 abstain)**
3. The Board decided to clarify that an entity that transfers nonfinancial assets or in substance nonfinancial assets to another party in exchange for assets should apply the guidance in Subtopic 610-20. That decision would result in an amendment to Subtopic 805-50, Business Combinations—Related Issues. **(Vote: 6 to 0, 1 abstain)**
4. The Board affirmed its decision not to address the accounting for the sale of an undivided interest. **(Vote: 6 to 0, 1 abstain)**

Transition Method

The Board affirmed its decision that entities would be required to adopt the guidance in Subtopic 610-20 either (1) retrospectively to each period presented in the financial statements or (2) retrospectively with a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption. An entity may elect to apply a different transition method to Subtopic 610-20 than the entity does to Topic 606, Revenue from Contracts with Customers. **(Vote: 6 to 0, 1 abstain)**

The Board decided that under both transition methods, entities adopting Subtopic 610-20 would be required to apply the revised definition of a business in the forthcoming guidance. The Board expects to finalize the revised definition of a business in the November 2015 proposed Update, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, at the same time as the amendments to Subtopic 610-20. **(Vote: 6 to 0, 1 abstain)**

Effective Date and Early Adoption

The Board affirmed the proposed effective date. Therefore, for public entities, the amendments would be effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Public entities may apply the guidance earlier but only as of fiscal years beginning December 15, 2016, including interim periods within those periods. For all other entities, the amendments would be effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. All other entities may apply the guidance earlier as of fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. All other entities also may apply the guidance earlier as of fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning one year after the fiscal year in which the entity first applies the guidance. **(Vote: 6 to 0, 1 abstain)**

The Board also decided that entities would be required to adopt the guidance in Subtopic 610-20 at the same time that they adopt the guidance in Topic 606. **(Vote: 6 to 0, 1 abstain)**

The Board asked the staff to conduct outreach to gather additional input about the operability of the effective date and transition requirements.

General Announcements: None