

MINUTES



MEMORANDUM

To: Board Members
From: FASB Staff
Subject: Minutes of October 19, 2016 Board Meeting on Simplifying the Balance Sheet Classification of Debt
Date: October 27, 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: Simplifying the Balance Sheet Classification of Debt

Basis for Discussion: Board Memo No. 7

Length of Discussion: 8:30 a.m. to 9:50 a.m.

Attendance:

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

Board members absent: None

Staff in charge of topic: Mazzella and Khrakovsky

Other staff at Board table: Posta

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Board discussed recent stakeholder feedback and made the following decisions on the project direction and other issues.

Tentative Board Decisions:

Project Direction

The Board affirmed its plan to move forward to a proposed Update that includes a debt classification principle based on legal terms. The proposed Update would include an exception for the classification of debt with waivers of debt covenant violations received after the reporting date but before financial statement issuance.

(Vote: unanimous)

Presentation/Disclosure

The Board affirmed its prior decision to require separate line-item presentation for debt that is classified as a noncurrent liability as a result of an exception for waivers of debt covenant violations received after the reporting date but before financial statement issuance.

(Vote: 5 to 2)

Waiver Fee

The Board decided not to change current GAAP on the recognition of fees paid by a company for waivers of debt covenant violations.

(Vote: 5 to 2)

Waivers of Debt Covenant Violations—Probability Assessment

The Board affirmed its decision to retain the probability assessment in current GAAP for waivers of debt covenant violations. The Board directed the staff to modify the existing guidance on the assessment that a company would be required to make when a debt covenant is violated at the reporting date and a waiver is obtained after the reporting date for a period greater than 12 months. The clarification would require an entity to assess whether violation of any other covenants (not covered by the waiver) is probable within 12 months from the reporting date. If probable, the related debt would be required to be classified as current.

(Vote: 4 to 3)

Disclosures

The Board decided to require disclosure of subjective acceleration clauses and loan covenants when they are triggered.

(Vote: 5 to 2)

Transition

The Board affirmed its decision to require an entity to apply the changes resulting from this project on a prospective basis to all debt that exists as of the effective date. The Board decided that an entity would be able to early adopt the proposed changes.

(Vote: unanimous)

Next Steps

The Board directed the staff to draft a proposed Accounting Standards Update for vote by written ballot. The Board extended the comment period from 60 days to end no earlier than Friday, May 5, 2017.

(Vote: unanimous)

General Announcements: None.