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October 27, 2016

TO: MEMBERS OF THE FASB EMERGING ISSUES TASK FORCE

Included are the final minutes of the September 22, 2016 meeting of the FASB Emerging Issues Task Force and an inventory of open issues for future EITF meetings.

On October 5, 2016, the Board ratified the Task Force consensus on Issue 16-A and the consensus-for-exposure on Issue 16-C. The Accounting Standards Update and the proposed Accounting Standards Update are expected to be posted to the FASB website within the next month.

The next regular EITF meeting will be held on November 17, 2016. The extra EITF meeting date reserved for October 20, 2016, was not utilized.

Please call me if you have any questions.

Sincerely,

Robert Moynihan

FASB Practice Fellow

Financial Accounting Standards Board

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**Emerging Issues Task Force
Meeting Minutes
September 22, 2016**

	<u>Pages</u>
• Attendees	1–2
• Administrative Matters	3
• SEC Staff Announcement	4
• Discussion of Agenda Technical Issues	5–19
1. Issue No. 16-A, “Restricted Cash”	5–15
2. Issue No. 16-C, “Determining the Customer of the Operation Services in a Service Concession Arrangement”	16–19
• Status of Open Issues and Agenda Committee Items	20

**MINUTES OF THE SEPTEMBER 22, 2016 MEETING
OF THE FASB EMERGING ISSUES TASK FORCE**

Location: FASB Offices
401 Merritt 7
Norwalk, Connecticut

Thursday, September 22, 2016

Starting Time: 8:30 a.m.

Concluding Time: 11:10 a.m.

Task Force Members Present:

Susan M. Cospers (Chair)
John M. Althoff
Paul Beswick
James G. Campbell (by telephone)
Terri Z. Campbell
Alexander M. Corl
Bret Dooley
Carl Kampel (by telephone)
Mark LaMonte
Robert B. Malhotra
Lawrence J. Salva (by telephone)
Mark Scoles
Ashwinpaul C. (Tony) Sondhi (by telephone)
Robert Uhl
Jenifer Minke-Girard (SEC Observer)
James A. Dolinar (FinREC Observer) (by telephone)
Thomas Groskopf (PCC Observer)

Task Force Members Absent:

None

Others at Meeting Table:

James L. Kroeker, FASB Board Member

Daryl E. Buck, FASB Board Member

Marc A. Siegel, FASB Board Member

Larry W. Smith, FASB Board Member

R. Harold Schroeder, FASB Board Member

Christine A. Botosan, FASB Board Member

Robert O. Moynihan, EITF Coordinator

*Cullen D. Walsh, FASB Assistant Director

*Thomas J. Faineteau, FASB Practice Fellow

*Jenifer J. Wyss, FASB Supervising Project Manager

*Melissa N. Nicholson, Assistant Project Manager

*Andrew W. McClaskey, FASB Postgraduate Technical Assistant

*Caro R. Baumann, FASB Postgraduate Technical Assistant

* For certain issues only.

ADMINISTRATIVE MATTERS

- The EITF Coordinator announced that the final consensus and consensus-for-exposure reached at this meeting will be considered by the Board for ratification at the October 5, 2016 Board meeting.
- The SEC Observer made an announcement to provide guidance on the disclosure of the impact that recently issued accounting standards will have on the financial statements of a registrant when such standards are adopted in a future period (in accordance with Staff Accounting Bulletin (SAB) Topic 11.M). Refer to the SEC Staff Announcement Section elsewhere in these minutes. The FASB will update the FASB Accounting Standards Codification for this SEC staff announcement in the coming weeks. Staff announcements made at EITF meetings are effective as of the announcement date, unless otherwise specified.
- The EITF Coordinator also announced that the next regular EITF meeting will be held on November 17, 2016, and that the extra EITF meeting date reserved for October 20, 2016, will not be utilized.

SEC STAFF ANNOUNCEMENT

Topic: Disclosure of the impact that recently issued accounting standards will have on the financial statements of a registrant when such standards are adopted in a future period (in accordance with Staff Accounting Bulletin (SAB) Topic 11.M)

Date Discussed: September 22, 2016

This announcement applies to Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*; ASU No. 2016-02, *Leases (Topic 842)*; and ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*.¹

SAB Topic 11.M provides the SEC staff view that a registrant should evaluate ASUs that have not yet been adopted to determine the appropriate financial statement disclosures² about the potential material effects of those ASUs on the financial statements when adopted. Consistent with Topic 11.M, if a registrant does not know or cannot reasonably estimate the impact that adoption of the ASUs referenced in this announcement is expected to have on the financial statements, then in addition to making a statement to that effect, that registrant should consider additional qualitative financial statement disclosures to assist the reader in assessing the significance of the impact that the standard will have on the financial statements of the registrant when adopted. In this regard, the SEC staff expects the additional qualitative disclosures to include a description of the effect of the accounting policies that the registrant expects to apply, if determined, and a comparison to the registrant's current accounting policies. Also, a registrant should describe the status of its process to implement the new standards and the significant implementation matters yet to be addressed.

¹ This announcement also applies to any subsequent amendments to guidance in the ASUs that are issued prior to a registrant's adoption of the aforementioned ASUs.

² Topic 11.M provides SEC staff views on disclosures that registrants should consider in both Management's Discussion & Analysis (MD&A) and the notes to the financial statements. MD&A may contain cross references to these disclosures that appear within the notes to the financial statements.

DISCUSSION OF AGENDA TECHNICAL ISSUES

Issue No. 16-A

Title: Restricted Cash

Dates Discussed: June 18, 2015; November 12, 2015; March 3, 2016; September 22, 2016

Background

1. In April 2014, the Board decided to add a statement of cash flows project to the FASB's technical agenda. The project, Clarifying Certain Existing Principles on Statement of Cash Flows, was intended to reduce diversity in practice in financial reporting by clarifying certain existing principles in Topic 230, Statement of Cash Flows.

2. At its April 1, 2015 meeting, the Board decided that clarifying certain existing principles within Topic 230 only would incrementally reduce diversity in practice about the classification of cash receipts and cash payments. Therefore, the Board decided to have the Task Force consider nine specific cash flow classification issues with the goal of reducing the existing diversity in practice on those issues on a timely basis. Eight of those issues are addressed in EITF Issue No. 15-F, "Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments." The ninth issue, which relates to restricted cash and restricted cash equivalents, was previously included in Issue 15-F and is now being addressed in Issue 16-A.

Issue

3. Significant diversity in practice exists in the classification and presentation of changes in restricted cash and restricted cash equivalents on the statement of cash flows. Entities classify the changes in operating, investing, or financing activities, or as a combination of those activities, in the statement of cash flows.

Scope

4. This Issue applies to all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows under Topic 230.

Prior EITF Discussion *(previously included in EITF Issue No. 15-F)*

5. At its June 18, 2015 meeting, the Task Force discussed two subissues about restricted cash.

Subissue - Classification of Changes in Restricted Cash

6. Changes in restricted cash typically occur when restricted cash is established (transfer of cash from unrestricted cash to restricted cash) and when the restrictions are released (transfer of cash from restricted cash to unrestricted cash). Stakeholders indicated that it is unclear whether the classification should be based on the nature of the cash flows or the purpose of the restriction. The Task Force considered the following alternatives.

Alternative A – Changes of the principal balances in restricted cash that affect cash and cash equivalents should be based on the nature of the cash flows and, therefore, classified as investing activities on the statement of cash flows.

Alternative B – Changes of the principal balances in restricted cash that affect cash and cash equivalents should be classified based on the purpose of the restricted cash.

Subissue - Presentation of Cash Payments and Cash Receipts That Directly Affect Restricted Cash

7. Sometimes, cash payments are made directly from restricted cash and cash receipts are deposited directly into restricted cash from a source outside the entity (for example, an investor or lender). However, because restricted cash does not meet the definitions of cash and cash equivalents, it is not included in the reconciliation of cash and cash equivalents on the statement of cash flows. Therefore, some entities present direct payments made from restricted cash or direct deposits received into restricted cash as line items on the statement of cash flows (that is, those entities gross up the cash flows) and some entities provide a noncash disclosure. The Task Force considered the following alternatives.

Alternative A – Require noncash disclosures.

Alternative B – Present cash payments made directly from restricted cash and cash receipts directly deposited into restricted cash in the body of the statement of cash flows.

8. Several Task Force members expressed concern about the lack of a definition for restricted cash. Those Task Force members commented that restricted cash appears to be investment-like when it is contractually and/or legally restricted. However, when restricted cash is self-designated as restricted, and is in the general cash account, it seems to be other than investment-like.

9. Several Task Force members questioned whether and when cash receipts and payments can be made directly to and from the restricted cash. Some Task Force members observed that those cash receipts and payments may be a noncash item under existing GAAP. Others suggested that it may be appropriate to assume that the restriction lapses right before a reporting entity makes a cash payment.

10. Based on the discussion, the Task Force requested that the FASB staff develop a definition of restricted cash and perform additional research on transfers into and from restricted cash.

11. At its November 12, 2015 meeting, the Task Force discussed three subissues about restricted cash.

Subissue - Definition of Restricted Cash

Alternative A – Restricted cash should be defined as cash that is subject to a legal or contractual restriction by a third party for a specified purpose and is restricted as to withdrawal or usage.

Alternative B – Restricted cash should be defined as cash that includes amounts that are self-designated by management, and cash that is subject to a legal or contractual restriction by a third party for a specified purpose and is restricted as to withdrawal or usage.

12. While the Task Force was not able to reach a tentative conclusion on the definition of restricted cash, the majority of Task Force members agreed that restricted cash should not include funds that are self-designated by management. However, there was disagreement among Task Force members about the scope of legal and contractual restrictions on cash. Some Task Force members believe that restricted cash should be narrowly defined and only include funds that are under the control of a third party, even if those funds are not segregated, and funds that an entity does not have the ability to spend without permission from the third party. Others believe that cash that is subject to legal or contractual restriction by a third party and restricted as to withdrawal or usage, regardless of whether the funds are segregated or commingled with unrestricted funds, should be in the scope of the definition of restricted cash. Task Force members also differed on their views on cash associated with compensating balance arrangements, and how unremitted foreign earnings and bankruptcy should affect the presentation of restricted cash. As such, Task Force members requested that the staff perform additional research on those areas. The SEC Observer also suggested that the Task Force consider whether third-party restrictions on cash held by subsidiaries of a consolidated entity, including restrictions placed on the transfer of cash to other subsidiaries in the consolidated group, should be included in the definition of restricted cash. Additionally, certain Task Force members directed the staff to further research the types of funds entities currently include in restricted cash in order to determine the extent of diversity in practice. Furthermore, the Task Force advised the staff to consider the potential effect on not-for-profit entities as it conducts its research and outreach.

Subissue - Classification of Changes in Restricted Cash

Alternative A – Changes of the principal balances in restricted cash that affect cash and cash equivalents should be based on the nature of the cash flows and, therefore, classified as investing activities in the statement of cash flows.

Alternative B – Changes of the principal balances in restricted cash that affect cash and cash equivalents should be classified based on the purpose of the restricted cash.

Alternative C – Include restricted cash with cash and cash equivalents on the statement of cash flows.

13. The Task Force was not able to reach a tentative conclusion on the classification of changes in restricted cash, but all Task Force members agreed that changes of the principal balances in restricted cash that affect cash and cash equivalents should *not* be classified based on the purpose of the restricted cash. Some Task Force members supported classifying changes in restricted cash based on the nature of cash flows (that is, as investing activities). Those Task Force members believe that an investing activities classification is fundamentally consistent with the underlying principles of presentation for the statement of cash flows and statement of financial position. That is, the statement of cash flows provides information on the change in liquid funds due to certain activities and the balance sheet classifies assets based on liquidity. Those Task Force members believe that combining restricted cash with cash and cash equivalents would be inconsistent with both of those principles because, in their opinion, restricted cash is not a highly liquid asset. However, other Task Force members supported including restricted cash with cash and cash equivalents on the statement of cash flows. Those Task Force members noted that this alternative would resolve other classification and presentation issues related to restricted cash in the statement

of cash flows. Certain Task Force members stated that they would be comfortable with including restricted cash with cash and cash equivalents on the statement of cash flows if adequate disclosures are required to provide information on the individual amounts. However, the Task Force decided that additional research and outreach was needed to reach a tentative conclusion on this Subissue.

Subissue - Presentation of Cash Payments and Cash Receipts That Directly Affect Restricted Cash

Alternative A – Require noncash disclosures.

Alternative B – Present cash payments made directly from restricted cash and cash receipts directly deposited into restricted cash in the body of the statement of cash flows.

14. The Task Force was not able to reach a tentative conclusion on the presentation of cash payments and cash receipts that directly affect restricted cash. While there was support for both alternatives, the majority of Task Force members agreed that their views on this Subissue are dependent on the results of the additional outreach and the Task Force's future conclusions on the Subissues related to the definition of restricted cash and the classification of changes in restricted cash. As such, the Task Force asked the staff to perform additional research and outreach on this Subissue.

15. At its March 3, 2016 meeting, the Task Force discussed the Subissue related to the classification of changes in restricted cash.

Subissue – Classification of Changes in Restricted Cash

Alternative A – Changes of the principal balances in restricted cash that affect cash and cash equivalents should be based on the nature of the cash flows and, therefore, classified as investing activities in the statement of cash flows.

Alternative B – Include restricted cash with cash and cash equivalents on the statement of cash flows.

16. The Task Force reached a consensus-for-exposure that a statement of cash flows should explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. That is, amounts generally described as restricted cash and restricted cash equivalents would be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Task Force recognizes that some entities present cash and cash equivalents with restrictions in multiple line items on the statement of financial position and that in some cases those line items are titled something other than restricted cash or restricted cash equivalents. This consensus-for-exposure would require that those amounts also be included in the beginning-of-period and end-of-period total amounts shown on the statement of cash flows.

17. The Task Force believes that a primary objective of a statement of cash flows is to provide relevant information about the sources and uses of cash of an entity during a period and, therefore,

it is most meaningful to present the ultimate cash inflows and outflows of an entity, irrespective of whether those cash flows are from restricted cash accounts. Some entities disclose the ultimate cash flows of a segregated restricted cash or restricted cash equivalents account as noncash investing or financing activities. For example, some entities disclose in the body of the statement of cash flows repayments of amounts borrowed that are directly paid from a segregated restricted cash account as noncash financing activities rather than as cash outflows from financing activities. Including amounts generally described as restricted cash and restricted cash equivalents with cash and cash equivalents on the statement of cash flows would result in presenting the ultimate cash inflows and outflows of the entity in the body of the statement of cash flows.

18. The Task Force believes that including amounts generally described as restricted cash and restricted cash equivalents in the beginning-of-period and end-of-period reconciliation of total cash and cash equivalents on the statement of cash flows would resolve the diversity in practice about how to present cash flows that directly affect restricted cash because those direct cash flows would be presented in the body of the statement of cash flows regardless of whether restricted cash or restricted cash equivalents are in a segregated account or commingled with unrestricted cash and cash equivalents, and regardless of the timing of when the restrictions are established or released.

19. The Task Force considered, but rejected, classifying changes in restricted cash or restricted cash equivalents that result from transfers between cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents on the basis of either the nature of the restriction (that is, investing activities) or the purpose for the restriction. The Task Force believes that internal transfers between cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents do not represent a cash inflow or outflow of the entity because there is no cash receipt or cash payment with a source outside of the entity. Some Task Force members noted that internal transfers do not faithfully represent an entity's investing activities. Furthermore, some Task Force members noted that classification of changes in restricted cash or restricted cash equivalents based on the purpose for the restriction could result in a duplicate cash flow classification. For example, if an entity is required by its lender to establish a restricted cash account for the future payment of debt, the entity establishes the restricted cash account by transferring cash from cash to restricted cash and classifies the change in restricted cash as a cash outflow for financing activities, although the change does not represent repayments of amounts borrowed. When the restriction is released, the following occurs: (a) cash is transferred from restricted cash to cash and the change in restricted cash is classified as a cash inflow from financing activities, and (b) a cash payment is made to the lender to pay down the debt and is classified as a cash outflow for financing activities. In this example, the statement of cash flows presents a financing outflow twice even though there was only one repayment of amounts borrowed. For those reasons, the Task Force noted that presenting internal transfers between cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents in the body of the statement of cash flows, whether presented as gross or net, does not provide meaningful information to a financial statement user.

20. While there is not a specific definition of restricted cash or restricted cash equivalents in GAAP, some Task Force members believe that only those financial instruments that first meet the definition of cash or cash equivalents before considering the restrictions that exist in a separate provision outside those financial instruments should be included in the beginning-of-period and

end-of-period reconciliation of the total of cash, cash equivalents, and amounts generally described as restricted cash and restricted cash equivalents on the statement of cash flows. Other Task Force members believe that the nature of the restrictions on cash or cash equivalents should be considered and that in certain cases the restrictions could be so severe that the financial instrument would not meet the definition of cash or cash equivalents, thereby preventing those balances from being included in the beginning-of-period and end-of-period reconciliation of total cash on the statement of cash flows. The Task Force considered defining restricted cash; however, it ultimately decided that the issue resulting in diversity in practice is the presentation of changes in restricted cash on the statement of cash flows. The Task Force's intent is not to change practice for what an entity reports as restricted cash or restricted cash equivalents.

Disclosures

21. The Task Force reached a consensus-for-exposure that certain disclosures should be required to supplement the statement of cash flows. Specifically, an entity should disclose (a) the nature of the restrictions on cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents and (b) on the face of the statement of cash flows or in the notes to the financial statements, if the total of cash, cash equivalents, and amounts generally described as restricted cash and restricted cash equivalents at the beginning and end of the period shown on the statement of cash flows cannot be reconciled to the amounts of similarly titled line items on the statement of financial position, the amounts and line items in which such amounts are reported within the statement of financial position.

22. The Task Force believes that disclosing the nature of restrictions on cash and cash equivalents would provide insight into the availability of amounts generally described as restricted cash and restricted cash equivalents on the statement of financial position and would help provide information about the sources and uses of restricted cash and restricted cash equivalents during a reporting period.

23. Some Task Force members expressed concern that a financial statement user might be unable to relate the total of cash, cash equivalents, and amounts generally described as restricted cash and restricted cash equivalents at the beginning and at the end of a period on the statement of cash flows to line items on the statement of financial position when restricted cash and restricted cash equivalents are not separately presented on the statement of financial position. The Task Force agreed that being able to trace the beginning-of-period and end-of-period cash, cash equivalents, and amounts generally described as restricted cash and restricted cash equivalents on the statement of cash flows to related amounts on the statement of financial position is desirable. Therefore, the Task Force decided that entities should be required to provide information that would allow a user to identify which line items other than restricted cash or restricted cash equivalents on the statement of financial position include restricted cash and restricted cash equivalents and the amounts of restricted cash and restricted cash equivalents included in those line items. Reporting entities would be given flexibility to disclose that information in the notes to the financial statements or to present it on the statement of cash flows.

24. The Task Force discussed whether to require disclosures about the gross transfers between cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents but did not reach a consensus-for-exposure. However, the Task Force decided to ask

a question of respondents about whether such disclosures would provide meaningful information to financial statement users. Some Task Force members believe that disclosing gross transfers could provide information to users about internal transfers between cash that is available (that is, cash and cash equivalents) and cash with restrictions (that is, amounts generally described as restricted cash and restricted cash equivalents). However, other Task Force members believe that requiring disclosures of gross transfers between cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents does not provide useful information about an entity's operating, investing, and financing activities because there is no cash receipt or cash payment with a source outside of the entity. In other words, the gross transfers between cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents on the statement of financial position do not provide information about an entity's sources and uses of cash.

25. Some Task Force members also expressed concerns that it is unclear whether direct cash receipts deposited into amounts generally described as restricted cash and restricted cash equivalents and direct cash payments made from amounts generally described as restricted cash and restricted cash equivalents would be included in the disclosures of gross transfers between cash and restricted cash. For example, if some entities present direct cash receipts into and direct cash payments from a segregated cash account with restrictions as direct cash flows of amounts generally described as restricted cash and restricted cash equivalents and other entities present the same cash flows as if there was a transfer, whether constructive or actual, between cash, cash equivalents, and amounts generally described as restricted cash and restricted cash equivalents at the establishment of or release of the restriction, there would be diversity in the amounts included in the disclosures of gross transfers. Similar concerns exist about direct cash receipts into and direct cash payments from restricted cash and restricted cash equivalents that are commingled with unrestricted cash and cash equivalents in the same bank account. As such, the question for respondents excludes constructive or actual transfers between cash, cash equivalents, and amounts generally described as restricted cash and restricted cash equivalents that result in a concurrent cash flow with a third party.

Effective Date and Transition

26. At its March 3, 2016 meeting, the Task Force reached a consensus-for-exposure that the amendments resulting from this Issue should be applied retrospectively to all periods presented. The Task Force believes that there would be a significant benefit to retrospective transition because it would enhance the interperiod consistency and comparability of financial information.

27. The Task Force reached a consensus-for-exposure to require the transition disclosures in paragraphs 250-10-50-1(a) and (b)(1) and 250-10-50-2, as applicable, in the interim and annual period in which the amendments resulting from this Issue are adopted.

28. The Task Force will determine the effective date and whether early adoption should be allowed after it considers stakeholder feedback on this Issue.

Current EITF Discussion

Statement of Cash Flows Presentation

29. At its September 22, 2016 meeting, the Task Force reached a consensus that a statement of cash flows should explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. That is, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows under the amendments resulting from this Issue. The Task Force recognizes that some entities present cash and cash equivalents with restrictions in multiple line items on the statement of financial position and that in some cases those line items are titled something other than restricted cash or restricted cash equivalents; therefore, the phrase *amounts generally described as restricted cash or restricted cash equivalents* is used in the amendments resulting from this Issue. This consensus requires that those amounts also be included in the beginning-of-period and end-of-period total amounts shown on the statement of cash flows.

30. The Task Force believes that a primary objective of a statement of cash flows is to provide relevant information about the sources and uses of an entity's cash during a period and, therefore, it is most meaningful to present the ultimate cash inflows and outflows of an entity, irrespective of whether those cash flows are to or from restricted cash accounts. Some entities disclose the ultimate cash flows of a segregated restricted cash or restricted cash equivalents account as noncash investing or financing activities. For example, some entities disclose repayments of amounts borrowed that are directly paid from a segregated restricted cash account as noncash financing activities rather than as cash outflows from financing activities. Including amounts generally described as restricted cash and restricted cash equivalents with cash and cash equivalents on the statement of cash flows will result in presenting the ultimate cash inflows and outflows of the entity in the body of the statement of cash flows.

31. The Task Force believes that including amounts generally described as restricted cash and restricted cash equivalents in the beginning-of-period and end-of-period reconciliation of total cash and cash equivalents on the statement of cash flows will resolve the diversity in practice about how to present cash flows that directly affect restricted cash because those direct cash flows will be presented in the body of the statement of cash flows regardless of whether restricted cash or restricted cash equivalents are in a segregated account or commingled with unrestricted cash and cash equivalents and regardless of the timing of when the restrictions are established or released.

Disclosures

32. The Task Force reached a consensus that certain disclosures should be required to supplement the statement of cash flows. Specifically, an entity should (a) disclose information about the nature of the restrictions on cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents and (b) when cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents are presented in more than one line item within the statement of financial position, for each period that a statement of financial position is presented, present on the face of the statement of cash flows or disclose in the notes to the financial statements, the line items and amounts of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents reported within the statement of financial position. The amounts, disaggregated by the line item in which they appear within the statement of financial position, should sum to the total amount of cash, cash equivalents, and amounts generally

described as restricted cash or restricted cash equivalents at the end of the corresponding period shown in the statement of cash flows.

33. The Task Force believes that disclosing the nature of the restrictions on cash and cash equivalents will provide insight into the availability of amounts generally described as restricted cash and restricted cash equivalents on the statement of financial position and will help provide information about the sources and uses of restricted cash and restricted cash equivalents during a reporting period. In response to feedback received from several respondents, the Task Force considered prescribing more specific disclosures about the nature of the restrictions, such as the purpose and terms, the source, and the length of time of the restriction. However, the Task Force ultimately rejected prescribing more specific disclosures because the Task Force noted that developing characteristics to disclose about the nature of the restrictions was beyond the scope of this Issue and that entities should be provided with the flexibility to disclose relevant information about the nature of those restrictions on the basis of individual circumstances.

34. Some Task Force members expressed concern that a financial statement user might be unable to agree the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents at the beginning and at the end of a period on the statement of cash flows to line items on the statement of financial position in situations in which restricted cash and restricted cash equivalents are not separately presented on the statement of financial position. The Task Force agreed that being able to agree the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents on the statement of cash flows to related amounts on the statement of financial position is desirable. Therefore, the Task Force proposed that entities should be required to provide information that will allow a user to identify (a) which line items other than restricted cash or restricted cash equivalents on the statement of financial position include restricted cash and restricted cash equivalents and (b) the amounts of restricted cash and restricted cash equivalents included in those line items.

35. Although a majority of respondents supported the amendments in the proposed Update, several respondents and the FASB's Taxonomy (XBRL) staff recommended that a disclosure be required in any situation in which the statement of financial position includes more than one line item of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents, even when the title of any of those line items is similar to the title of the line item description used on the statement of cash flows. In response to that feedback, the Task Force reached the consensus described in (b) in paragraph 32. Furthermore, the Task Force noted that the requirement applies only to periods in which a statement of financial position is presented (that is, a reconciliation would not be needed if there are no statement of financial position data to reconcile). Such disclosure would facilitate the understanding of the relationship between the statement of cash flows and the statement of financial position. The Task Force also reached a consensus that reporting entities will be given flexibility to provide the disclosure in either a narrative or a tabular format.

36. In the proposed Update, the Task Force asked respondents about whether disclosures of the amounts of gross transfers between cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents (excluding transfers, constructive or actual, that result in a concurrent cash receipt from or a concurrent cash payment to an outside source) would provide

meaningful information to financial statement users. The majority of the respondents stated that disclosures of the amount of gross transfers between cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents would not provide useful information about an entity's operating, investing, and financing activities because there is no cash flow with a source outside the entity, and financial statement users are focused on period-end balances of restricted cash that will be disclosed. Several other respondents stated that disclosing gross transfers between unrestricted cash and restricted cash would provide meaningful information about the availability of an entity's cash resources and liquidity.

37. The Task Force reached a consensus that disclosures of gross amounts of transfers between cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents should not be required. Task Force members believe that requiring disclosures of gross transfers between cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents does not provide useful information about an entity's operating, investing, and financing activities because there is no cash receipt or cash payment with a source outside of the entity that affects the sum of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. In other words, the gross transfers between cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents on the statement of financial position do not provide relevant information about the cash receipts and cash payments of an entity during a period, which is the primary objective of a statement of cash flows as described in Topic 230.

38. In the proposed Update, the Task Force asked respondents about whether other disclosures should be provided. The majority of respondents stated that no additional disclosures are necessary. Several respondents suggested that other disclosures should be required, such as a disaggregated rollforward of restricted cash and restricted cash equivalents, information about forward liquidity of restricted cash and restricted cash equivalents, and contractual obligations to replenish restricted cash accounts. The Task Force discussed the feedback received and reached a consensus that no additional disclosures should be required and noted that there are current FASB projects or potential future FASB projects that would be more appropriate for broader standard-setting activities related to disclosures about restrictions on cash, such as the FASB disclosure framework project. Furthermore, the Task Force noted that requiring such other disclosures would go beyond the primary focus of this Issue, which is to provide narrow guidance about the presentation of changes in restricted cash or restricted cash equivalents on the statement of cash flows.

Effective Date and Transition

39. The Task Force reached a consensus that an entity should apply the amendments retrospectively to all periods presented. The Task Force believes that there will be a significant benefit to retrospective transition because it will enhance the interperiod consistency and comparability of financial information.

40. The Task Force reached a consensus to require the transition disclosures in paragraphs 250-10-50-1(a) and (b)(1) and 250-10-50-2, as applicable, in the interim and annual period in which the amendments are adopted.

41. The Task Force noted that if an entity is considering changing its accounting policy for determining restricted cash and restricted cash equivalents, applicable guidance on a change in an accounting principle in Topic 250, Accounting Changes and Error Corrections, should be applied. Such evaluation would be separate from adoption of the amendments resulting from this Issue.

42. The Task Force decided that the amendments resulting from this Issue should be effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period.

Board Ratification

43. At its October 5, 2016 meeting, the Board ratified the consensus reached by the Task Force on this Issue and directed the staff to draft a final Update reflecting the consensus for vote by written ballot.

Status

44. No further EITF discussion is planned.

Issue No. 16-C

Title: Determining the Customer of the Operation Services in a Service Concession Arrangement

Date Discussed: September 22, 2016

Background

1. At its August 31, 2016 meeting, the Board decided to add a project to its agenda to address the accounting for service concession arrangements. The Board decided to refer this project to the EITF.

Issue

2. A service concession arrangement (SCA) is an arrangement between a grantor (a government or public sector entity) and an operating entity whereby the operating entity will operate the grantor's infrastructure (for example, airports, roads, bridges, tunnels, prisons, and hospitals) for a specified period of time. The operating entity may also maintain the infrastructure, and may also be required to provide periodic capital-intensive maintenance (major maintenance) to enhance or extend the life of the infrastructure. The infrastructure may already exist or may be constructed by the operating entity during the period of the SCA.

3. The application of other Topics to the unique nature of SCAs has recently led to a number of accounting questions, including questions related to the application of Topic 605, Revenue Recognition, when accounting for construction and operation services, and major maintenance. Similar accounting issues also could arise under Topic 606, Revenue from Contracts with Customers. The primary issue the EITF decided to address is how to determine the customer of the operation services in a service concession arrangement within the scope of Topic 853.

Scope

4. This Issue applies to all reporting entities within the scope of Topic 853.

Current EITF Discussion

Determining the Customer of the Operation Services in an SCA

5. In a service concession arrangement, an operating entity may provide construction services when the infrastructure does not exist and may provide operation services (which include operation and general maintenance of the infrastructure). Other services also may be provided. It is generally accepted that the grantor is the customer of any construction services provided by the operating entity because the construction services create or enhance an asset that the grantor controls. However, the current lack of guidance in GAAP for operation services has led to diversity in practice, and some operating entities have looked to International Financial Reporting Interpretations Committee (IFRIC) Interpretation 12, *Service Concession Arrangements* (IFRIC 12) for additional guidance. Accordingly, some operating entities have concluded that the customer of the operation services depends on the terms of the service concession arrangement, including who bears demand risk (that is, the ability and willingness of users to pay for the service), which is an evaluation consistent with IFRIC 12. In contrast, other operating entities have

concluded that the customer of the operation services is the grantor in all cases after considering the scope of, and decisions reflected in, Topic 853.

6. The Task Force reached a consensus-for-exposure that the grantor is the customer of the operation services in all cases for service concession arrangements within the scope of Topic 853. Current guidance in Topic 853 states that both of the following conditions exist in a service concession arrangement

- a. The grantor controls or has the ability to modify or approve the services the operating entity must provide with the infrastructure, to whom it must provide them, and at what price.
- b. The grantor controls, through ownership, beneficial entitlement, or otherwise, any residual interest in the infrastructure at the end of the term of the arrangement.

The infrastructure that is the subject of a service concession arrangement within the scope of Topic 853 should not be accounted for as a lease or as property, plant, and equipment by the operating entity. Accordingly, the Task Force determined that the customer of the operation services is the grantor because the operating entity is acting as the grantor's service provider (or outsourcer) to operate and maintain the infrastructure, which is controlled by the grantor, and the only parties to the executed service concession arrangement are the grantor and the operating entity.

7. One Task Force member noted that the conclusion that the grantor is the customer of the operation services in all cases is not consistent with IFRIC 12. That Task Force member observed that IFRIC 12 is similar in scope to Topic 853 and similarly concludes that the infrastructure in a service concession arrangement should not be accounted for as a lease or as property, plant, and equipment by the operating entity. Yet, the customer of the operation services could be either the grantor or the third-party users in IFRIC 12 depending on the terms of the service concession arrangement, including who bears demand risk. That Task Force member noted that the grantor's rights may not constitute control over the services to be provided. However, that Task Force member also acknowledged that the Task Force could reach a different conclusion without contradicting IFRIC 12 because GAAP, unlike IFRIC 12, does not currently describe the operating entity's role and rights when it has demand risk in these arrangements. Other Task Force members, while understanding the notion of demand risk, noted that demand risk does not outweigh the fact that the grantor controls, or has the ability to modify or approve, the services the operating entity must provide with the infrastructure, to whom it must provide them, and at what price. Some Task Force members also observed that demand risk is only an economic variable considered in the negotiation and pricing of a service concession arrangement; it is not the determinant of who the customer is for accounting purposes.

8. While some Task Force members noted that the way in which the customer of the operation services is determined might be based on the facts and circumstances of a particular transaction (in part because service concession arrangements can take many different forms), the Task Force ultimately decided that the grantor would be the customer of the operation services in all cases because the Task Force believes that the operating entity is acting as the grantor's service provider and because the only parties to the executed service concession arrangement are the grantor and the operating entity and the grantor controls or has the ability to modify or approve the services the operating entity must provide with the infrastructure, to whom it must provide them, and at what price.

9. Considering the consensus-for-exposure described in paragraph 6, the Task Force noted that it addressed the diversity in practice observed about the recognition of revenue from construction services in certain service concession arrangements in which the third-party users were considered the customer of the operation services by some stakeholders. Accordingly, the Task Force determined that no additional guidance was necessary for that particular aspect of the revenue guidance. The Task Force also considered whether it was necessary to clarify other aspects of the revenue guidance, such as determining whether major maintenance is a separate deliverable under Topic 605 (or a performance obligation under Topic 606) or evaluating whether major maintenance can be capitalized when it is not a separate deliverable (or a separate performance obligation). The Task Force noted that the clarification provided by the consensus-for-exposure described in paragraph 6 addresses the added complexity and resulting diversity in practice that were created by the uncertainty about the customer determination and observed in the application of those other aspects of the revenue guidance. The Task Force noted that sufficient accounting guidance exists in GAAP (whether in Topic 605 or Topic 606) and, accordingly, concluded that no further standard setting is necessary.

Effective Date and Transition

10. The Task Force reached a consensus-for-exposure that an entity that has not adopted the amendments in Topic 606 would be required to adopt the amendments resulting from this Issue at the same time that it adopts the amendments in Topic 606 and would apply the same transition method elected for the application of Topic 606. An entity also would provide the same transition disclosures required in Topic 606. The Task Force also reached a consensus-for-exposure that an entity that has adopted the amendments in Topic 606 would apply the amendments resulting from this Issue using either (a) a retrospective approach or (b) a modified retrospective approach by recording a cumulative-effect adjustment to equity at the date of initial application. The date of initial application is the start of the reporting period in which an entity would first apply the amendments resulting from this Issue. The transition disclosures would depend on which method the entity elects to apply those amendments.

11. One Task Force member observed that while the alignment of the effective date with the adoption timeline for Topic 606 may cause a delay in resolving the identified diversity in practice, the costs a reporting entity would incur to change its revenue accounting twice in a relatively short period of time would not be justified. That is, an operating entity that currently determines under Topic 605 that the customer of the operation services is the third-party users may need to retrospectively adopt the amendments resulting from this Issue to align its accounting under Topic 605 with those amendments, only to perform another retrospective transition upon adoption of Topic 606 shortly thereafter. Accordingly, the transition provisions resulting from this Issue generally would require an operating entity to perform only one retrospective transition relating to its accounting for revenues for service concession arrangements in the near future.

12. The Task Force will determine the effective date for entities that have adopted Topic 606, and whether to permit early adoption of the amendments, after it considers stakeholder feedback on the proposed amendments resulting from this Issue.

Board Ratification

13. At its October 5, 2016 meeting, the Board ratified the consensus-for-exposure reached by the Task Force on this Issue and 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.

Status

14. Further discussion is expected at a future EITF meeting.

Status of Open Issues

The following represents the FASB staff's assessment of the status and immediate plans with respect to the open Issues on the Task Force's agenda. The Issues that will be added to the proposed agenda for the November 17, 2016 meeting will be considered either high priority issues or issues on which meaningful progress can be made within the staff's given complement of resources. The staff's prioritization of issues is based primarily on the FASB staff's understanding of the level of diversity in practice created by each respective Issue, the financial reporting implications of that diversity, the current interaction, if any, of the Issues with active Board projects, and current resource availability among the staff (with respect to both time and relevant technical expertise).

Issue No.	Description	Date Added	Date(s) Discussed	Next Meeting	EITF Liaison	FASB Staff	Immediate Plans	Next Deliverable
16-B	Employee Benefit Plan Master Trust Reporting	4/16	5/16 (education session), 6/16	11/16	Scoles	Kaestle	The staff will prepare an Issue Summary Supplement summarizing comment letter feedback	November 17, 2016 EITF meeting materials
16-C	Determining the Customer of the Operation Services in a Service Concession Arrangement	8/16	9/16	3/17	Althoff	Faineteau	A proposed Update is expected to be issued in November 2016. The staff will prepare an Issue Summary Supplement summarizing comment letter feedback	March 16, 2017 EITF meeting materials