

MINUTES



MEMORANDUM

To: Board Members

From: Accounting for Financial Instruments
Team: Credit Losses
Implementation

Subject: Minutes of October 4, 2017 Board Meeting

Date: October 12, 2017

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: Transition Resource Group for Credit Losses

Basis for Discussion: FASB Memo No. 9, *Determining the "Estimated Life" of a Credit Card Receivable*

Length of Discussion: 8:00 a.m. to 8:20 a.m. (EDT)

Attendance:

Board members present: Golden, Kroeker, Siegel, Botosan, Monk, Schroeder, and Hunt

Board members absent: None

Staff in charge of topic: Kuhaneck

Other staff at Board table: Cospers, Drucker, Romano, Kinley, and Cline

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Board met to discuss issues relating to the implementation of Accounting Standards Update No. 2016–13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*.

Tentative Board Decisions:

The Board discussed an issue associated with determining the estimated life of a credit card receivable that was unresolved at the Credit Losses Transition Resource (TRG) Group meeting on June 12, 2017.

The Board agreed with the staff's recommendation that an entity may determine payment amounts, for the purposes of estimating the life of a credit card receivable, as either

1. All payments expected to be collected from the borrower.
2. A portion of payments expected to be collected from the borrower.

The Board also views this issue as separate from the payment allocation issue discussed at the TRG meeting. Therefore, any combination of views on payment allocation and payment determination are acceptable.

This decision effectively permits any combination of payment allocation methodologies discussed during the June 12, 2017 TRG meeting and payment amount determination methods discussed at the October 4, 2017 Board meeting. The Board observed that this decision is consistent with the amendments in Update 2016-13, which allow various approaches to be used to determine management's best estimate consistent with its credit risk management perspective.

The Board noted that decisions about credit card payment determination and allocation should adhere to the rest of the model created by Update 2016-13. Specifically, chosen methodologies should be consistent over time and faithfully estimate expected credit losses for financial assets. The Board also noted that entities are not limited to the payment determination and allocation methodologies discussed in the June 12, 2017 TRG meeting and October 4, 2017 Board meeting if other appropriate means of estimating the expected life of a credit card receivable are available.

(Vote: 7–0)

General Announcements: None.