

MINUTES



Financial Accounting
Standards Board

To: Board Members

From: Consolidations Team (Crawford, ext. 443)

Subject: Minutes of the November 6, 2012
Board Meeting – *Consolidation*
(Topic 810): *Principal versus Agent*
Analysis

Date: November 7, 2012

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: Consolidation: Principal versus Agent Analysis

Basis for Discussion: FASB Memo No. 50 – Proposed Clarification to the Analysis for Determining the Primary Beneficiary and Principal versus Agent Determination

Length of Discussion: 2:40 pm to 3:25 pm

Attendance:

Board members present: Seidman, Buck, Golden, Linsmeier, Schroeder, Siegel, Smith

Board members absent: None

Staff in charge of topic: Roberge, Cheng

Other staff at Board table: Cosper, Proestakes, Boyce, Crawford

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 addressing *Consolidation (Topic 810): Principal versus Agent Analysis*. The Board's technical plan calls for that document to be issued in the first half of 2013.

Summary of Decisions Reached:

In the November 3, 2011 Exposure Draft, the Board proposed an analysis for both variable interest entities (VIEs) and voting partnerships and other similar entities (partnerships) for purposes of determining whether a decision maker is acting in a principal or agent capacity. That analysis contains both power and economic elements. The proposed requirements differed for partnerships (and similar entities) and VIEs. A general partner acting as a principal was automatically considered as holding a controlling financial interest requiring consolidation of the other entity. A principal in a VIE was not automatically deemed the holder of controlling financial interest (primary beneficiary) of the VIE.

In this meeting, the Board decided to align the principal versus agent analysis for VIEs and partnerships by requiring that a decision maker that is determined to be the principal of a VIE to be automatically considered to be the primary beneficiary of the VIE.

(Vote: 7 – 0)