

MINUTES



MEMORANDUM

To: Board Members

From: Consolidation project team
(Moffat x 376)

Subject: Minutes of Board Meeting **Date:** 05/18/2018

cc: Dawn Tosches

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 (Topic 810)

Basis for Discussion: FASB Memo No. 18, Comment Letter Feedback Summary; FASB Memo No. 19, Redeliberations, Cost-Benefit Analysis, and Permission to Ballot; and FASB Memo No. 19A, Effective Date and Transition

Length of Discussion: 9:00 a.m. to 10:25 a.m. (EDT)

Attendance:

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

Board members absent: None

Staff in charge of topic: Roberge

Other staff at Board table: Cosper, Kuhaneck, Cheng, Drucker, Hoyer, and Moffat

Outside participants: Buesser (incoming July 2018 Board member)

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 targeted improvements to related party guidance for Variable Interest Entities (VIE).

The Board technical plan calls for the proposed Update to be issued in the third quarter of 2018.

Tentative Board Decisions:

The Board discussed the feedback received on its proposed Accounting Standards Update, Consolidation (Topic 810): *Targeted Improvements to Related Party Guidance for Variable Interest Entities*. The Board made the following decisions:

Private Company Accounting Alternative

The Board confirmed its decision to allow a private company (reporting entity) to elect an accounting alternative through an accounting policy election to not apply variable interest entity (VIE) guidance to legal entities under common control if both the parent and the legal entity being evaluated for consolidation are not public business entities. If elected, a private company should:

1. Apply the accounting alternative to all current and future legal entities under common control that meet the criteria for applying this alternative
2. Continue to apply other consolidation guidance, particularly the voting interest entity guidance, unless another scope exception applies
3. Provide detailed disclosures about its involvement with and exposure to the legal entity under common control.

(Vote: 7-0)

The Board decided to clarify and provide illustrative guidance on how control is established for purposes of applying the private company accounting alternative.

(Vote 7-0)

The Board decided to align the effective date and transition guidance for the private company accounting alternative with the effective date and transition guidance in Accounting Standards Update No. 2016-03, Intangibles—Goodwill and Other (Topic 350), Business Combinations (Topic 805), Consolidation (Topic 810), Derivatives and Hedging (Topic 815): Effective Date and Transition Guidance. Accordingly, a private company within the scope of the private company accounting alternative:

1. May choose to elect the alternative upon issuance of a final Accounting Standards Update

2. Should apply this accounting alternative retrospectively with a cumulative-effect adjustment to retained earnings at the beginning of the earliest period presented
3. May forgo a preferability assessment as generally required by Topic 250, Accounting Changes and Error Corrections, when making the election for the first time.

Because the election can be made at any time, the transition provisions will exist indefinitely.

(Vote 6-1)

Decision-Making Fees

The Board confirmed its decision to require indirect interests held through related parties in common control arrangements to be considered on a proportional basis when determining whether fees paid to decision makers and service providers are variable interests (decision-making fee guidance).

(Vote 7-0)

The Board decided that the amendments to the decision-making fee guidance in the final Accounting Standards Update will:

1. Be effective for all entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years with early adoption permitted
2. Be applied by all entities retrospectively with a cumulative-effect adjustment to retained earnings at the beginning of the earliest period presented
3. Provide practicability provisions to consolidate and deconsolidate an entity upon transition consistent with recent amendments made to consolidation guidance.

(Vote: 7-0)

VIE Related Party Guidance

The Board decided to not make any amendments to the VIE related party guidance for determining the primary beneficiary of a VIE.

(Vote 6-1)

The Board added a project to its research agenda to determine whether any amendments to the VIE related party guidance may be required after implementation of the private company accounting alternative and the amendments to the decision-making fee guidance.

(Vote 5-2)

Analysis of Costs and Benefits

The Board concluded that it has received sufficient information and analysis to make an informed decision on the issues presented and that the expected benefits of the amendments justify the expected costs.

(Vote: 6-0, 1 abstain)

Next Steps

The Board directed the staff to draft a final Accounting Standards Update for vote by written ballot.