

MINUTES



MEMORANDUM

To: Board Members
From: Maule (x205)
Subject: Minutes of October 30, 2019,
Codification Improvements Board Meeting
Date: November 7, 2019
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: Codification Improvements (formerly Technical Corrections and Improvements)

Basis for Discussion: FASB Memo 1 and Addendum 1A: Codification Improvements

Length of Discussion: 9:00 a.m. to 10:30 a.m. EST

Attendance:

Board members present: Golden, Kroeker, Botosan, Hunt, Schroeder, Buesser, Cosper

Board members absent: None

Staff in charge of topic: Cafini

Other staff at Board table: Cryderman, Guasp, Kuhaneck, Lesser, Maule, Proestakes, Shah

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Board met to discuss proposed improvements to the *FASB Accounting Standards Codification*[®]. A proposed Accounting Standards Update will be issued in the fourth quarter of 2019.

Tentative Board Decisions:

The Board discussed a staff draft of proposed amendments to and minor clarifications of the Codification.

Proposed Amendments

The Board made the following decisions:

1. *Master Glossary Term* Expected Losses and Expected Residual Returns. The Board decided to supersede that compound Master Glossary term and to (a) reset links in paragraphs 810-10-25-21 and 810-10-55-17 to the individual Master Glossary terms for *expected losses* and *expected residual returns* and (b) link the term *expected losses* in paragraph 810-10-55-42 to the Master Glossary term *expected losses*.

(FASB: 7-0)

2. *Master Glossary Term* Financial Instrument. The Board decided to replace the wording that the financial instrument is an asset or liability set forth in FASB Concepts Statement No. 6, *Elements of Financial Statements*, with wording stating that the financial instrument meets the criterion to be recognized as an asset or liability under applicable GAAP.

(FASB: 6-1)

3. *Master Glossary Term* Transaction. The Board decided to remove the Master Glossary term *transaction* and add *internal cost allocations* to the list of items specifically ineligible for designation as a hedge in paragraph 815-20-25-43.

(FASB: 7-0)

4. *Master Glossary Term* Cash Balance Plan. The Board decided to move the specific example language from the Master Glossary term *cash balance plan* to implementation guidance and the remaining generic description of cash balance plans, which includes the guidance that cash balance plans are defined benefit plans, to the Recognition Section 25 of Subtopic 715-20 on defined benefit plans. This would result in removing the term from the Master Glossary.

(FASB: 7-0)

The Board agreed with the remaining proposed amendments to various Topics of the Codification that the staff recommended.

(FASB: 7-0)

Additional Considerations

The Board also directed the staff to include a question in the proposed Update asking whether the proposed amendment to Topic 805, Business Combinations, would affect the recognition of deferred revenue in a business combination.

Effective Date and Transition Requirements

The Board discussed effective date and transition requirements for the proposed amendments and made the following decisions:

Proposed Amendments to Update 2017-08, Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities

The Board decided:

1. For entities that have not adopted the amendments in Update 2017-08, the effective date and transition requirements of the proposed amendments would align with those of Update 2017-08.

(FASB: 7-0)

2. For entities that have adopted the amendments in Update 2017-08, the proposed amendments would be effective upon issuance of a final Accounting Standards Update.

(FASB: 7-0)

3. For entities that have adopted the amendments in Update 2017-08, the proposed amendments would be applied on a modified retrospective basis by means of a cumulative-effect adjustment to opening retained earnings in the statement of financial position as of the beginning of the first reporting period for which the proposed amendments would have been effective.

(FASB: 7-0)

Additional Considerations

The Board also directed the staff to ask a question in the proposed Accounting Standards Update on whether entities that have adopted Update 2017-08 would have sufficient time to adopt the proposed amendments.

Proposed Amendments to Update 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments

The Board decided:

1. For entities that have not adopted the amendments in Update 2016-13, the effective date and transition requirements of the proposed amendments would align with those of Update 2016-13.

(FASB: 7-0)

2. For entities that have adopted the amendments in Update 2016-13, the proposed amendments would be effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years.

(FASB: 7-0)

3. Early adoption would be permitted if an entity has already adopted the amendments in Update 2016-13.

(FASB: 7-0)

4. For entities that have adopted the amendments in Update 2016-13, the proposed amendments would be applied on a modified retrospective basis by means of a cumulative-effect adjustment to opening retained earnings in the statement of financial position as of the date an entity adopted the amendments in Update 2016-13.

(FASB: 7-0)

Additional Considerations

The Board also directed the staff to ask a question in the proposed Accounting Standards Update regarding whether entities that have adopted the amendments in Update 2016-13 would have sufficient time to adopt the proposed amendments.

Transition Guidance

Historically, the staff has suggested transition guidance for those amendments that either potentially could result in an entity correcting its application of the amended guidance or for amendments identified by stakeholders through the exposure process. The staff suggested using this practice for this round of Codification improvements rather than providing transition guidance for each amendment. The

Board agreed that transition guidance would continue to be provided for certain amendments and not automatically provided for each amendment.

(FASB: 6 [certain amendments receive guidance] to 1 [all amendments receive guidance])

Analysis of Benefits and Costs

The Board concluded that the expected benefits of the proposed changes would justify the expected costs.

FASB: (7-0)

Next Steps

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

(FASB: 7-0)

The Board decided that the comment period for the proposed Update would be 30 days.

(FASB: 7-0)

General Announcements: None.