

MINUTES



MEMORANDUM

To: Board Members

From: Accounting for Financial Instruments Team

Subject: Minutes of August 19, 2020 Board Meeting on Codification Improvements—Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities

Date: August 26, 2020

cc: 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—Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities

Basis for Discussion: FASB Memo No. 1, “Comment Letter Feedback Summary for Codification Improvements and Redeliberations”

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

Attendance:

Board Members present:	Jones, Kroeker, Botosan, Buesser, Cospers, Hunt, and Schroeder
Staff in charge of topic:	Shah
Other staff at Board table:	Kuhaneck, Salo, Mohamed, Hitchcock, and Williams
Outside Participants:	None

Type of Document and Timing on the Technical Plan:

The Board met to discuss issues relating to the development of a final Accounting Standards Update addressing Codification Improvements—Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities. The Board's technical plan calls for that document to be issued in the third quarter of 2020.

Tentative Board Decisions:

The Board discussed a clarification related to Subtopic 310-20, Receivables—Nonrefundable Fees and Other Costs. The Board affirmed its prior decision that an entity should reevaluate whether a callable debt security is within the scope of paragraph 310-20-35-33 for each reporting period, consistent with its intent when it issued Accounting Standards Update No. 2017-08, *Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities*. **(Vote: 7-0)**

Transition and Effective Date

The Board decided that:

1. The amendments would be effective for public business entities for annual and interim reporting periods beginning after December 15, 2020. Early application would not be permitted.
2. The amendments would be effective for all other entities for annual reporting periods beginning after December 15, 2021, and interim periods within annual periods beginning after December 15, 2022. Early application would be permitted as early as January 1, 2021, for annual and interim reporting periods.

The Board decided that the amendments should be applied prospectively for both new and existing instruments. Under a prospective transition for existing instruments, there would be no cumulative catch-up adjustment to retained earnings. Rather, an entity would reset their effective yield to the extent that the amortized cost basis of an individual debt security exceeds the amount repayable by the issuer at the next earliest call date, if necessary, to correctly apply the amendments. **(Vote: 7-0)**

Analysis of Costs and Benefits

The Board concluded that it has received sufficient information and analysis to make an informed decision on the perceived costs of the changes and that the expected benefits would justify the expected costs of the amendments in the final Update. **(Vote: 7-0)**

Next Steps

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