

MINUTES



MEMORANDUM

To: Board Members
From: Collaborative Arrangements Team
Subject: Minutes of July 25, 2018 Board Meeting
Date: July 31, 2018

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: Collaborative Arrangements: Targeted Improvements

Basis for Discussion: FASB Memo No. 12, *Comment Letter Feedback Summary, Redeliberations, Cost Benefit, and Permission to Ballot*

Length of Discussion: 10:10 a.m. to 10:40 a.m. (EDT)

Attendance:

Board members present: Golden, Kroeker, Botosan, Buesser, Hunt, and Schroeder
Board members absent: None
Staff in charge of topic: Park, Yepes, and Peek
Other staff at Board table: Cosper and Posta
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 Topic 808, Collaborative Arrangements.

The Board's technical plan calls for that document to be issued in the fourth quarter of 2018.

Tentative Board Decisions:

The Board discussed feedback received on its proposed Accounting Standards Update, *Collaborative Arrangements (Topic 808): Targeted Improvements*, and completed redeliberations.

Scope

The Board reaffirmed the scope and objective of the project, which are to clarify whether Topic 606, Revenue from Contracts with Customers, could be applied to certain transactions in collaborative arrangements that are within the scope of Topic 808. Consistent with the proposed Update, the Board reaffirmed that the forthcoming amendments resulting from this project would not change the current accounting for (1) transactions directly related to sales to third parties or (2) nonrevenue transactions between collaborative participants. (Vote: 6-0)

Unit of Account

The Board reaffirmed its intent on the unit of account guidance for collaborative arrangements. That guidance would require an entity to use the distinct good or service unit-of-account guidance in Topic 606 to determine whether a separate unit of account in a collaborative arrangement should be accounted for under Topic 606. The Board also clarified the application of that guidance to collaborative arrangements where a part of the collaborative arrangement is potentially with a customer. In those circumstances, for each distinct good or service identified, if the entire unit of account is with a customer, an entity would be required to account for that unit under Topic 606. (Vote: 6-0)

Transactions Directly Related to Third-Party Sales

The Board decided to move the examples of transactions directly related to third-party sales from the basis for conclusions of the proposed Update into the amendments and to clarify that the examples are not an all-inclusive list. (Vote: 6-0)

Presentation

The Board clarified its intent that transactions outside the scope of Topic 606 would be precluded from being presented together with revenue recognized from contracts with customers. (Vote: 6-0)

Illustrative Examples

The Board reaffirmed the proposed changes to the Topic 808 examples and decided not to provide additional examples or to make further changes to those examples. (Vote: 6-0)

Other Topics

The Board clarified that the definition of *collaborative arrangements* that are not complete in paragraph 808-10-65-2(c) would be arrangements that have one or more unperformed units of account. (Vote: 6-0)

The Board reaffirmed its decision not to provide other substantive amendments or additional guidance for the Topic 606 concept of *customer* in the context of collaborative arrangements, nonrevenue transactions between collaborative participants, and disclosures. (Vote: 6-0)

Transition and Effective Date

The Board reaffirmed the transition described in the proposed Update, which would require an entity to apply a modified retrospective transition. (Vote: 6-0)

The Board decided that the amendments will be effective for public business entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The amendments will be effective for nonpublic business entities for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. (Vote: 6-0)

The Board also decided to permit early adoption of the amendments as of the later of (1) the date of issuance of the final Update and (2) the date of an entity's adoption of Topic 606. (Vote: 6-0)

Next Steps

The Board concluded that the expected benefits justify the expected costs of the changes and directed the staff to draft an Accounting Standards Update for vote by written ballot. (Vote: 6-0)

General Announcements: The Emerging Issues Task Force (EITF) reached a consensus-for-exposure on EITF Issue No. 18-A, "Recognition under Topic 805 for an Assumed Liability in a Revenue Contract," at its June 7, 2018 meeting.

The Board ratified the consensus-for-exposure at the June 27, 2018 Board meeting and directed the staff to draft a proposed Update for vote by written ballot. The Emerging Issues Task Force (EITF) has decided to defer the issuance of the proposed Update and will continue deliberations at the next EITF meeting on September 27, 2018.