

Memo No. **6**

**Memo**

Issue Date **December 7, 2016**

Meeting Date(s) **PCC Meeting December 13, 2016**

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Project	<b>Consolidations—Reorganization and Targeted Improvements</b>		
Project Stage	<b>Research Agenda</b>		
Issue(s)	<b>Private Company—Applying VIE Guidance to Entities Under Common Control</b>		

**Purpose of This Memorandum and Background**

1. The purpose of this memorandum is to provide an update on the Consolidations—Reorganization and Targeted Improvements project at the December 13, 2016 Private Company Council (PCC) meeting. The staff previously presented the topic to the PCC at the September 30, 2016; this memorandum will update the PCC on the progress of the project since the September meeting.
2. The FASB discussed Consolidations at the November 2, 2016 Board meeting. The staff presented three separate issues, one of which was the application of VIE guidance to private companies under common control. The purpose of the meeting was to determine whether to add these issues to the Board’s technical agenda and potentially proceed with issuing an Exposure Draft.

### ***Reorganization and Simplifying Consolidations***

3. The Board decided to add a project to the technical agenda to simplify consolidation guidance by reorganizing the guidance in Topic 810. The Board made decisions regarding the reorganization, decided to clarify the concept of power through a variable interest, and decided to clarify the definition of the term “expected”.

### ***Common Control Issues***

4. Regarding the application of VIE guidance to private companies under common control and targeted improvements to common control arrangements (namely the elimination of the related party tie breaker test), the Board raised the following questions:
  - (a) Should the proposed private company scope exception be expanded to public business entities
  - (b) Would the removal of the related party tie breaker test resolve the issue private companies currently have with VIE guidance, and therefore not require a private company scope exception.

### **Next Steps**

5. The Board instructed the staff to compose a staff draft of the proposed amendments, along with the Board’s considerations for private companies, which will be discussed at a public Roundtable on December 16, 2016, consisting of both public and private practitioners, preparers, and users. Members of the PCC and TIC will be at the Roundtable. The focus of this Roundtable is to gather feedback about the proposed amendments to VIE guidance and answer the questions raised at November 2, 2016 Board meeting.
6. The following discussion document will be presented at the public roundtable on December 16, 2016:
  - (a) Roundtable Overview. The document is organized by the three separate issues and includes the specific questions to be discussed at the roundtable to solicit input and gather feedback.