

Private Company Council Meeting – April 4, 2017



# Consolidations

# Background

- Stakeholder feedback indicates that consolidation guidance in Topic 810 is difficult to navigate and, thus, apply.
- Private company stakeholders continue to express difficulty in applying variable interest entity (VIE) guidance to common control arrangements.
- Stakeholders requested that the Board address certain areas of the VIE guidance for related parties under common control.

# Board Project – Consolidation: Reorganization and Targeted Improvements (March 8 TBD)

- Reorganize consolidation guidance in Topic 810 into a new Topic – Topic 812
- Separate Subtopics for VIEs and voting interest entities
- Controlled by contract guidance moved to Topic 958: Not-for-Profit Entities
- Educational materials on application of certain complex concepts associated with VIE guidance
- Not expecting change to current outcomes reached under Topic 810

# Board Project – Consolidations: Private Company Alternative (March 8 TBD)

## Policy Election

## Criteria to Qualify

- Private company and legal entity under common control
- Common control parent **is not** a PBE
- Legal Entity **is not** a PBE

## Required Disclosures

- Understand involvement with and exposure to the legal entity under common control
- Derived from existing VIE Disclosures

Propose to remove Accounting Alternative for Leasing Arrangements under common control (ASU 2014-07)

# Board Project – Consolidation: Targeted Improvements to Related Party Guidance for VIEs (March 8 TBD)

## Decision-Making Fees

- Indirect interests through a related party under common control considered on proportionate basis for determining whether decision-making fee is a variable interest

## Related Party Considerations when a Common Control Group has a Controlling Financial Interest

- Requires consolidation when substantially all of the activities of a VIE are conducted on behalf of that related party.
- Provides criteria for a reporting entity to consider when determining whether it must consolidate the VIE
- Removes required consolidation in all cases at commonly controlled entity level