

MINUTES



MEMORANDUM

To: Board Members
From: Lewis, x462
Subject: Minutes of the February 17, 2021, Accounting by a Joint Venture for Nonmonetary Assets Contributed by Investors Board Meeting
Date: February 19, 2021
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: Accounting by a Joint Venture for Nonmonetary Assets Contributed by Investors

Basis for Discussion: FASB Memo No. 5, "Disclosures, Transition, and Other Issues," and FASB Memo No. 5S, "Disclosures, Transition, and Other Issues—Supplement"

Length of Discussion: 9:00 a.m. to 10:09 a.m. (EST)

Attendance:

Board members present: Jones, Kroeker, Schroeder, Botosan, Hunt, Buesser, Cosp

Board members absent: None

Staff in charge of topic: Friend

Other staff at Board table: Salo, Posta, Bohdan, Lewis

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Board continued its initial deliberations on the project. The Board discussed disclosures, transition, and sweep issues.

Tentative Board Decisions:

The Board decided to:

1. Require that a joint venture formed after the effective date of the new guidance apply the measurement and recognition guidance upon formation prospectively. An existing joint venture entity would have an option to apply the new guidance retrospectively.

(Vote 7-0)

2. Require that a joint venture upon formation measure its net assets (including goodwill) using the fair value of the joint venture as a whole. Therefore, a joint venture would measure its total net assets upon formation as the fair value of 100 percent of the joint venture's equity immediately after formation.

(Vote 7-0)

3. Direct the staff to research areas in which equity method basis differences could result from a misalignment between (a) the initial accounting by the venturer for its equity method investment in a joint venture entity and (b) the joint venture entity's accounting for its formation in applying the Board's tentative decisions on this project.

(Vote 6-1)

The Board also directed the staff to research:

1. Whether a joint venture should be able to apply the measurement period guidance in accordance with Subtopic 805-10, Business Combinations—Overall, which allows an entity to recognize and adjust provisional amounts for items for which the accounting is incomplete.
2. Disclosure requirements for a joint venture upon formation.

General Announcements: None.