

MINUTES



MEMORANDUM

**To:** Board Members  
**From:** CONPP Team (Proctor, ext. 462)  
**Subject:** Minutes of March 12, 2014, Board Meeting      **Date:** March 31, 2014  
**cc:** Sutay

*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: Consolidation: Principal versus Agent Analysis

Basis for Discussion: FASB Memo 59—Related Parties

Length of Discussion: 11:00 to 12:00 p.m.

Attendance:

Board members present: Golden, Kroeker, Linsmeier, Schroeder Siegel, Smith, Buck (by phone)

Board members absent: None

Staff in charge of topic: Winters

Other staff at Board table: Cospers, Esposito, Winick, Proctor

Outside participants: None

**Type of Document and Timing Based on the Technical Plan:**

The Board's technical plan calls for final guidance to be issued in the second half of 2014.

**Tentative Board Decisions:**

The Board continued redeliberating the November 2011 proposed FASB Accounting Standards Update, *Consolidation (Topic 810): Principal versus Agent Analysis*.

The Board discussed how to consider the interests of related parties for the determination of a controlling financial interest in the variable interest entity (VIE) model and in the voting interest entity (VOE) model. For purposes of this discussion, the Board assumed that the decision maker is a single reporting entity with the power to direct the activities that most significantly impact the economic performance of the VIE.

For purposes of determining the primary beneficiary, the Board decided that the decision maker should consider indirect interests in the VIE held through its related parties under a rebuttable presumption that they should be evaluated on a proportionate basis. However, this presumption may be overcome based on a qualitative assessment of the nature and substance of the related party relationship. As a result, depending on the nature and substance of the relationship, related party interests may be considered directly or not at all.

(Vote: 6 to 1)

The Board decided that when a decision maker determines that it is not the primary beneficiary of the VIE, on an individual basis, there should not be a related party tie breaker test performed by any party in the related party group. However, if the related parties are being used to circumvent the consolidation guidance, the related party tie breaker test, as required by paragraph 810-10-25-44, must be performed.

(Vote: 5 to 2)

The Board directed the staff to conduct additional analysis and obtain stakeholder feedback with respect to this decision and a variation of this decision in which a related party other than the decision maker may have to consolidate a VIE depending on the facts and circumstances. The staff will report findings at a future meeting.

The Board also decided not to provide any further guidance for how interests held by related parties should be considered in the determination of a controlling financial interest in the VOE model.

(Vote: 7 to 0)

**General Announcements:**

None.