

MINUTES



Financial Accounting
Standards Board

To: Board Members
From: Consolidations Team
Subject: Minutes of the March 5, 2003 Board Meeting **Date:** March 7, 2003
Cc: Bielstein, Smith, Petrone, Leisenring, Consolidations Team, Swift, Polley, Gabriele, Sutay, Thompson, Mahoney, Cassel, Wilkins, Martin, FASB Intranet

Topics: Additional Implementation Guidance and Next Step of the Consolidations Project
Basis for Discussion: Staff memoranda dated February 24 and March 3, 2003
Length of Discussion: Starting Time: 1:30 p.m.
Concluding Time: 2:15 p.m.

Attendance:
Board members present: Herz, Crooch, Foster, Schieneman, Schipper, Trott, and Wulff
Board members absent: None
Staff in charge of topics: Lott
Other staff at Board table: Bielstein, Smith, and R. Richards
Outside participants: Leisenring (IASB)

Summary for ACTION ALERT:

The Board discussed the following matters:

1. Whether questions received on FASB Interpretation No. 46, *Consolidation of Variable Interest Entities*, indicate a need for additional implementation guidance
2. The appropriate means of providing additional implementation guidance
3. Which sets of issues should be addressed next in the project on consolidations.

The Board reached the following decisions:

1. The Board decided that the appropriate way to provide implementation guidance for Interpretation 46, as needed, is through FASB Staff Positions and routine technical inquiries. [All Board members agreed]
2. The Board directed the staff to begin work on other aspects of the consolidations project. The four issues that are to be addressed are:
 - Consolidation without a majority voting interest
 - Effect on consolidation of minority shareholder rights
 - Possible consolidation because of ownership of convertible debt, options, or other means of obtaining a voting interest
 - Related parties and de facto agents.

[Four Board members agreed; GSS, JKW, and RHH disagreed]

Matters Discussed and Decisions Reached:

Additional Implementation Guidance

The Board decided unanimously that none of the questions received so far require amendment to Interpretation 46. The Board stated that implementing Interpretation 46 will require considerable judgment and that it did not want to create rules that substitute for judgment. The Board directed the staff to use the FASB Staff Position (FSP) process judiciously, that is, to answer only questions that could lead to significant diversity in practice. The Board cautioned the staff against providing answers to questions involving specific fact patterns.

Next Step in the Consolidations Project

The Board decided that the staff should begin work on (a) effective control of voting interest entities, (b) the effect on consolidation by a majority owner of special rights of minority interest holders, (c) latent control through convertible securities, options, and similar arrangements, and (d) control disguised by using de facto agents (strawman situations). Mr. Trott would have preferred not to address issue (a), but he voted with the majority. Messrs. Herz, Schieneman, and Wulff voted to defer any work on the consolidations project until the Board reassesses its overall agenda priorities and staffing requirements.

Follow-up Items:

None.

General Announcements:

None.