

## MINUTES



Financial Accounting  
Standards Board

**To:** Board Members

**From:** Consolidations Team (Phillips, x443)

**Subject:** Minutes of March 16, 2010 Board Meeting; Consolidations

**Date:** May 24, 2010

**cc:** FASB: Golden, Bielstein, Lott, Proestakes, Stoklosa, Mechanick, Roberge, Farber, Phillips, Andrews, C. Smith, Brickman, Hood, Glotzer, Gabriele, Sutay, FASB Intranet, McGarity, Klimek FASAC: Chookaszian, Posta, Guasp; GASB: Finden, Avis; IASB: Leisenring, Francis, Knubley, Lian, Vatrenejak, Kim

*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: Consolidations

Basis for Discussion: Memos 7, 8 and 9

Length of Discussion: 11:30 AM to 1:00 PM

Attendance:

Board members present: FASB: Herz, Linsmeier, Seidman, Siegel, Smith

IASB: Tweedie, Cooper, Danjou, Engström, Finnegan, Garnet, Gélard, Gomes, Kalavacherla, Leisenring, McConnell, McGregor, Smith, Yamada, Zhang

Board members absent: None

Staff in charge of topic: FASB: Roberge

IASB: Buchanan

Other staff at Board table: FASB: Andrews, Farber, Phillips, and Stoklosa

IASB: Buschhueter and Ruane

Outside participants: None

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

The Board met to discuss issues relating to the development of Proposed Accounting Standards Update addressing Consolidations. The Board's technical plan calls for the document to be issued in **June 2010**.

### **Summary of Decisions Reached:**

At their January 2010 joint board meeting, the IASB and the FASB tentatively decided that, when assessing control of entities controlled through voting rights:

- a reporting entity that holds more than half of the voting rights in an entity meets the power element of the control definition, in the absence of other arrangements.
- a reporting entity (with less than half of the voting rights in an entity) that has the legal or contractual ability to direct those activities of the entity that significantly affect the returns meets the power element of the control definition.

At that meeting, the IASB tentatively decided that a reporting entity with less than half of the voting rights meets the power element of the control definition in situations in which the reporting entity holds significantly more voting rights than any other party or organized group of shareholders, and in which the other shareholdings are widely dispersed. The FASB tentatively decided that such a reporting entity must have demonstrated that it has directed the activities of the entity that significantly affect the returns in order to meet the power element of the control definition.

At the March meeting, the staff presented the boards with an analysis of power to help them reconcile their views. Some board members expressed the view that a reporting entity with less than half of another entity's voting rights must demonstrate that it directs the activities of the other entity. Others expressed the view that there must merely be evidence that the reporting entity has the ability to direct the activities of the other entity, without the need to demonstrate that it actually does so or has done so. The boards asked the staff to develop additional

guidance to help them clarify what type of evidence would be required to demonstrate that an entity has power. This will be discussed by the boards next week.

The boards will continue to discuss power, agency relationships, structured entities and disclosures at their joint meeting to be held on Tuesday 23 March.

**General Announcements:** None