

MINUTES



Financial Accounting  
Standards Board

**To:** Board Members

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

**Subject:** Minutes of March 23, 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, Knuble, 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, 9, 10, 11 and 12

Length of Discussion: 4:15 AM to 8:30 AM

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:**

The IASB and the FASB continued to deliberate the control model being developed for the purposes of determining when one entity should consolidate another, and discussed the following topics:

- When assessing control of an entity controlled by voting rights
  - what factors should be considered when assessing whether a reporting entity that holds less than half of the voting rights in an entity meets the power element of the control definition.
  - in what situations potential voting rights should be considered.
- How to determine whether a decision maker is an agent or a principal.
- Whether the involvement and interests of related parties should be considered to be those of the reporting entity
- The description of a structured entity.

The boards tentatively decided that:

- a. when assessing whether a decision-maker is an agent or a principal, the assessment should be made on the basis of the overall relationship between the decision-maker, the entity being managed and the other interest holders, and should consider all of the following factors:
  - i. Scope of decision-making authority
  - ii. Rights held by other parties
  - iii. Remunerations of the decision-maker
  - iv. The decision-maker's exposure to variability of returns because of other interest that it holds in the entity.

- b. when assessing control, the involvement and interests of a related party should be considered to be those of the reporting entity when the nature of the reporting entity's relationship with that related party is such that the related party is acting on behalf of the reporting entity. The boards tentatively agreed that this would also be the case where those that direct the activities of the reporting entity also have the ability to direct another entity to act on behalf of the reporting entity. The boards also tentatively decided that the final standard will include a list of potential related parties. The boards tentatively agreed to include guidance in the final standard that is similar to that in ASC Paragraph 810-10-25-44 to address situations in which a reporting entity, together with its related parties, as a group, meets the control requirements.
- c. a description of a structured entity should be included in the next due process document. That description would incorporate some of the factors that describe a variable interest entity in US GAAP (ASC Topic 810-10, as amended by FASB Statement No.167), but the description would not include all of the current guidance that is in Topic 810-10.

The boards will continue to deliberate the assessment of control of entities controlled by voting rights on Wednesday 24 March, as well as disclosures for consolidated and unconsolidated entities.

**General Announcements:** None