MINUTES

Financial Accounting Standards Board

To:	Board Members		
From:	Mohrhauser (x 442)		
Subject:	Minutes of the September 29, 2010 Board Meeting: Ratification of One EITF Consensus and Three Consensuses-for-Exposure	**Date:**	September 30, 2010
cc:	Golden		

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.

Topic: Board ratification of the consensus reached on EITF Issues No. 09-G and the consensuses-for-exposure reached on EITF Issues No. 09-H, 10-A and No. 10-G.

Basis for Discussion: Board Memorandum issued September 21, 2010

Length of Discussion: 9:05 a.m. to 9:15 a.m.

Attendance:

Board members present:	Herz, Linsmeier, Siegel, Seidman, and L. Smith
Board members absent:	None
Staff in charge of topic:	Brower
Other staff at Board table:	Golden, Mohrhauser
Outside participants:	None

Summary of Decisions Reached:

The Board approved the issuance of a final Accounting Standards Update amending the *FASB Accounting Standards Codification*™ to reflect the following consensus reached at the September 16, 2010 EITF meeting.

1. **Issue 09-G, "Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts"**

   Acquisition costs include only those costs that are directly related to the successful acquisition or renewal of insurance contracts by applying a model similar to the accounting for loan origination costs in Subtopic 310-20, Receivables—Nonrefundable Fees and Other Costs. An entity may defer incremental direct costs of contract acquisition that are incurred in transactions with independent third parties and incremental direct costs of contract acquisition that are incurred in transactions with employees. Additionally, an entity may capitalize as a deferred acquisition costs only those advertising costs meeting the capitalization criteria for direct-response advertising in Subtopic 340-20, Other Assets and Deferred Costs—Capitalized Advertising Costs.

   This change will be effective for fiscal years beginning after December 15, 2011, and interim periods within those years. Early adoption as of the beginning of the year is permitted. The amendments to the Codification resulting from this consensus will be applied prospectively upon the date of adoption, with retrospective application permitted, but not required.

The Board approved the issuance of Exposure Drafts to solicit comments on the following tentative conclusions reached by the EITF at its September 16, 2010 meeting. The comment period for each Exposure Draft is 30 days.

1. **Issue 09-H, "Health Care Entities: Revenue Recognition"**

   A health care entity would disclose all of the following by major payor sources of revenue:

   a. Its policy for considering collectibility in the timing and amount of revenue and bad debt recognized.

   b. The net revenue recognized in the period.

   c. A tabular reconciliation, describing the material activity in the allowance for doubtful accounts for the period.

Major payor sources of revenue would be identified by the entity and be consistent with how the entity manages its business.

The proposed disclosures would be required in both interim and annual financial statements. The effective date of the proposed change will be determined after considering the comments received. The EITF tentatively decided to permit early adoption of the requirements. The proposed amendments would be applied retrospectively.

During the discussion of this Issue, Tom Linsmeier stated that he is concerned about fixing a recognition problem through expanded disclosures. He noted that the Task Force discussion was predicated on a belief that in the revenue recognition project, the Board may continue to consider uncertainty in the measurement of revenue. Mr. Linsmeier noted that he did not dissent to the consensus-for-exposure, but that the Board should consider eliminating these disclosures if the recognition concerns are addressed as part of the finalization of the revenue recognition project.

2. **Issue 10-A, "How the Carrying Amount of a Reporting Unit Should Be Calculated When Performing Step 1 of the Goodwill Impairment Test"**

   An entity would perform Step 1 of the goodwill impairment test using an equity premise. In addition, when a reporting unit has a zero or negative carrying amount, an entity would be required to perform Step 2 of the impairment test if there are qualitative factors such as those in paragraph 350-20-35-30 that indicate it is more likely than not that goodwill is impaired.

   The proposed amendments to the Codification would be effective:

   a. Fiscal years beginning after December 15, 2010, for public entities

   b. Fiscal years beginning after December 15, 2011, for nonpublic entities.

   Upon adoption, an entity would perform Step 2 of the goodwill impairment test if it is more likely than not that goodwill is impaired. Entities would be required to transition to the proposed requirements by recording a cumulative-effect adjustment to beginning retained earnings upon adoption.

3. **Issue 10-G, "Disclosure of Supplementary Pro Forma Information for Business Combinations"**

   If a public entity presents comparative financial statements, the entity would disclose revenue and earnings of the combined entity as though the business combinations(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period. The supplemental pro forma disclosures under Topic 805, Business Combinations, would be expanded to include a description of the nature and amount of material, nonrecurring pro forma adjustments included in the disclosure.

The proposed amendments would be applied prospectively for business combinations consummated on or after the beginning of the first annual reporting period beginning on or after December 15, 2010.