

MINUTES



Financial Accounting
Standards Board

To: Board Members

From: Consolidations Team (Bergman, ext. 298)

Subject: Minutes of the August 29, 2012
Board Meeting – *Consolidation*
(Topic 810): *Principal versus Agent*
Analysis

Date: August 30, 2012

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 No. 49 – Purpose and Design

Length of Discussion: 11:25 a.m. to 11:50 a.m.

Attendance:

Board members present: Seidman, Buck, Golden, Linsmeier, Schroeder, Siegel, Smith

Board members absent: None

Staff in charge of topic: Roberge, Cheng

Other staff at Board table: Cospers, Proestakes, Bergman, Crawford

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Board met to discuss issues relating to the development of a final Accounting Standards Update addressing *Consolidation (Topic 810): Principal versus Agent Analysis*. The Board's technical plan calls for that document to be issued in the first half of 2013.

Summary of Decisions Reached:

The Board discussed the alignment of the treatment of the evaluation of participating rights for assessing consolidation for voting interest entities, variable interest entities, and other similar entities (including limited partnerships). Under current guidance, a participating right allows the holder to participate in significant decisions related to a limited partnership's ordinary course of business, which can include more than one activity. The Board unanimously reaffirmed its intent to align the models by aligning the treatment of participating rights for entities controlled by voting rights, variable interest entities, and other similar entities by reaffirming that the principal versus agent analysis would consider whether the noncontrolling shareholders (or limited partners) participate in each of the activities that most significantly impact an entity's economic performance for all entities, regardless of whether they are controlled by voting rights or other arrangements.

The Board also discussed how to evaluate the purpose and design of an entity in determining whether a decision maker is a principal or an agent. The Board deliberated whether:

1. Purpose and design should be considered in the overall principal versus agent analysis, both initially and as part of evaluating the three existing factors (compensation, rights held by other parties, and other interests held by the decision maker).
2. Purpose and design should be considered as a separate factor in the principal versus agent analysis.

The Board decided that the consideration of purpose and design should be included in the overall principal versus agent analysis. The Board decided that when evaluating the factors of compensation, rights held by other parties, and other interests held by the decision maker, the purpose and design of the entity should also be taken into consideration as opposed to being considered as a separate factor. The Board also decided that the guidance for considering the purpose and design of an entity should be consistent for all consolidation evaluations required in Topic 810.

(Vote: 7 – 0)