MINUTES

FINANCIAL ACCOUNTING STANDARDS BOARD

MEMORANDUM

To:	Board Members		
From:	Accounting for Financial Instruments Team		
Subject:	March 12, 2014 Board Meeting—Accounting for Financial Instruments: Impairment	**Date:**	March 18, 2014

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:	Accounting for Financial Instruments: Impairment
Basis for Discussion:	FASB Memo No. 261—A Single Impairment Model for All Financial Assets
Length of Discussion:	9:20 a.m. to 10:45 a.m. (EDT)

Attendance:

Board members present:	Golden, Linsmeier, Schroeder, Siegel, Kroeker, and L. Smith
Board members participating via phone:	Buck
Board members absent:	None
Staff in charge of topic:	Laungani
Other staff at Board table:	Cosper, Esposito, C. Smith, McKinney, Gupta, Milone, Debbink, and Hager
Outside participants:	None

Type of Document and Timing Based on the Technical Plan:

The Board continued redeliberations of their proposed Accounting Standards Update, *Financial Instruments—Credit Losses (Subtopic 825-15),* to develop final guidance for impairment of financial assets.

The Board's technical plan calls for a final Accounting Standards Update to be issued in the second half of 2014.

Tentative Board Decisions:

The Board discussed whether the current expected credit losses (CECL) model in the December 2012 proposed Accounting Standards Update, *Financial Instruments—Credit Losses (Subtopic 825-15)*, should apply to all financial assets.

The Board decided that the CECL model should apply to financial assets measured at amortized cost. (Vote: 4-3)

For financial assets measured at fair value with qualifying changes in fair value recognized in other comprehensive income (FV-OCI), the Board decided that expected credit losses should be recognized as follows:

1. An entity should not recognize expected credit losses if the financial asset's fair value equals or exceeds its amortized cost basis.
2. If the financial asset's fair value is less than its amortized cost basis, an entity should recognize expected credit losses in net income determined under the CECL model but limited to the difference between the financial asset's fair value and its amortized cost basis. (Vote: 5-2)

The Board asked the staff to consider any follow-on issues as a result of its decision on financial assets measured at FV-OCI, such as the need for unit-of-account guidance for measuring expected credit losses.

For both financial assets measured at amortized cost and financial assets measured at FV-OCI, the Board will discuss at a future meeting whether expected credit losses recognized should be the entire difference between fair value and amortized cost when (1) an entity subsequently identifies a financial asset for sale or (2) it is more likely than not the entity will be required to sell a financial asset before recovery of its amortized cost basis. (Vote: 7-0)

General Announcements: None