

MINUTES



MEMORANDUM

To: Board Members
From: Deiso, x298
Subject: Minutes of the March 26, 2014,
Board Meeting
Date: April 1, 2014
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: Going Concern

Basis for Discussion: FASB Memo No. 44

Length of Discussion: 9:45 a.m. to 12:00 p.m. (EDT)

Attendance:

Board members present:	Golden, Buck, Kroeker, Linsmeier, Schroeder, Siegel, and Smith
Board members absent:	None
Staff in charge of topic:	Or and Deiso
Other staff at Board table:	Cosper and Proestakes
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 Going Concern.

Please see the current technical plan for information about the project timeline

Tentative Board Decisions:

The Board continued its redeliberations of its June 2013 proposed Accounting Standards Update, *Presentation of Financial Statements (Topic 205): Disclosure of Uncertainties about an Entity's Going Concern Presumption (Exposure Draft)*.

The Exposure Draft proposed that entities would begin disclosures of going concern uncertainties when certain early-warning disclosure criteria were met. In addition to early-warning disclosures, SEC filers would assess whether there is substantial doubt about the entity's ability to continue as a going concern for a period of 24 months after the balance sheet date.

In light of the feedback received on the Exposure Draft, the Board decided not to require the proposed early-warning disclosures. Instead, the Board decided to pursue an approach that would require disclosures when there is substantial doubt similar to disclosures provided today under existing auditing standards. (Vote 1: (Alternative A) 4, (Alternative B) 2, and (Alternative C) 1)

Definition of Going Concern Presumption

The Board decided not to define the term *going concern presumption*, but rather to specify that the going concern basis of accounting would be used until an entity's liquidation is imminent, which is consistent with the provisions of Subtopic 205-30 on the liquidation basis of accounting.

Substantial Doubt Definition, Assessment Period, and Frequency of Assessment

The Board decided that the definition of *substantial doubt* would incorporate a likelihood component defined using the term *probable*, as used in Topic 450 on contingencies. (Vote 2: (Alternative A) 6 and (Alternative B) 1) (Vote 3: unanimous) In addition, the Board decided that the assessment period for substantial doubt would be one year from the date the financial statements are issued (or, for nonpublic entities, the date financial statements are available for issuance). (Vote 4: (Alternative B) 6 and (Alternative A) 1) The Board affirmed

the proposed Update's requirement to assess substantial doubt at each annual and interim reporting period. (Vote 5: unanimous)

Information to Be Assessed Including Management's Plans

The Board decided that information about conditions and events would be assessed as of the financial statement issuance date (or, for nonpublic entities, the date financial statements are available for issuance). (Vote 4: (Alternative B) 6 and (Alternative A) 1) The Board also decided that management should consider the mitigating effect of its plans to the extent it is probable that

1. Those plans will alleviate the adverse conditions within the assessment period.
2. Those plans will be effectively implemented.

(Vote 6: (Alternative A) 4, (Alternative B) 2 ,and (Alternative C) 1)

The Board asked that the staff draft the relevant provisions of the standard with respect to information to be assessed and management's plans for the Board's review before its next meeting.

Disclosures in Periods When Substantial Doubts Exist

The Board decided that when there is substantial doubt about an entity's ability to continue as a going concern, the notes to the financial statements should disclose:

1. A statement indicating that there is substantial doubt about the entity's ability to continue as a going concern
2. The principal conditions and events giving rise to substantial doubt
3. Management's evaluation of the significance of those conditions and events
4. Any mitigating conditions and events including management's plans.

(Vote 7: unanimous)

Disclosures When Substantial Doubt Is Alleviated

The Board decided to require management to disclose in the financial statements when substantial doubt about an entity's ability to continue as a going concern has been alleviated primarily by management's plans. Those disclosures would include the principal conditions and events that initially raised the substantial doubt, and management's plans that alleviated the substantial doubt, unless the

information is disclosed elsewhere in the financial statements. (Vote 6: (Alternative A) 4, (Alternative B) 2 ,and (Alternative C) 1))

Nonpublic Entities

The Board decided that the disclosures would apply to both public entities and nonpublic entities. (Vote 8: unanimous)

Next Steps

The Board directed the staff to perform outreach on its tentative decision to make the assessment period one year from the financial statement issuance date as compared with the alternative of one year from the balance sheet date. The Board also directed the staff to discuss the assessment period decision with the Private Company Council and the Small Business Advisory Committee to better understand the implication of that decision on nonpublic entities. The Board expects to continue redeliberations in May 2014.