

MINUTES



MEMORANDUM

To: Board Members
From: CONPP Team (Kennedy, ext. 205)
Subject: Minutes of December 10, 2014,
Board Meeting
Date: December 18, 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: Consolidation: Principal versus Agent Analysis

Basis for Discussion: FASB Memo 66—Significant Comments
Received on External Review Draft

Length of Discussion: 8:00 to 9:50 a.m.

Attendance:

Board members present: Golden, Kroeker (by phone), Buck, Linsmeier,
Siegel, Smith, Schroeder

Board members absent: None

Staff in charge of topic: Winters

Other staff at Board table: Cospers, Esposito, Proctor, Kennedy

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Board redeliberated several significant issues identified by reviewers during the extended external review process for the final Accounting Standards Update on Topic 810, Consolidation. The Board's technical plan calls for that document to be issued in February 2015.

Tentative Board Decisions:

Series Mutual Funds

Reviewers noted that the guidance in the draft of the final Update would result in certain registered mutual funds being considered variable interest entities (VIEs).

The Board decided that series funds and similar legal entities should be required to apply the VIE/voting interest entity scope determination in Topic 810 in paragraph 810-10-15-14(b)(1) as currently drafted; however, additional implementation guidance also should be provided to clarify how to interpret the voting right criterion in the VIE/voting interest entity scope determination. This implementation guidance would apply to entities that comply or operate in accordance with requirements that are similar to those included in the Investment Company Act of 1940 for registered mutual funds.

(Vote: 5 to 2)

The Board also decided that additional disclosures specifically related to those structures were not necessary.

(Vote: 5 to 2)

Kick-Out Rights Held by the General Partner and Its Related Parties

The Board decided that when determining whether a limited partnership is a VIE, the general partner, entities under common control with the general partner, and other parties acting on behalf of the general partner should be excluded from the simple majority or lower threshold of voting interests to exercise kick-out rights.

(Vote: 7 to 0)

Indirect Assessment of Related Party Interests

The Board decided to eliminate the proposed rebuttable presumption that indirect interests held by related parties of the decision maker should be considered on a proportionate basis, which could be overcome based on a qualitative assessment. The Board decided instead to require that indirect interests always be considered on a proportionate basis with one exception; when the related party entities are under common control, in which case indirect interest should be considered in its entirety.

(Vote: 7 to 0)

Pro Rata Consolidation

The Board decided that entities that currently apply the pro rata method of consolidation should be allowed to continue applying that method of consolidation.

(Vote: 6 to 1)

Impact on Accounting Standards Update 2014-01

The Board decided to provide a specific scope exception from certain VIE related party guidance for legal entities within the scope of Accounting Standards Update No. 2014-01, *Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Qualified Affordable Housing Projects*. Specifically, these entities would not be required to apply the guidance in which a related party of the decision maker that receives substantially all of the activities of the VIE must consolidate the VIE.

(Vote: 4 to 3)

Related Party Guidance for a Single Decision Maker versus Shared Power

The Board decided that the changes made to the assessment of related party relationships should continue to be limited to situations in which a single reporting entity has the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and should not extend to situations in which power is shared.

(Vote: 6 to 1)

Deconsolidation

The Board decided that, at transition, fair value may be used when it is not practicable for a reporting entity to determine the carrying amount of the retained interest in a deconsolidated legal entity.

(Vote: 7 to 0)

General Announcements:

None.