

MINUTES



MEMORANDUM

To: Board Members
From: FASB staff
Subject: Minutes of December 16, 2015 Joint Board Meeting
Date: December 23, 2015
cc: Stacey 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: Revenue Recognition—Principal versus Agent (Reporting Revenue Gross versus Net)

Basis for Discussion: FASB Memo 8: Comment Letter Summary;
FASB Memo 9 / IASB Memo 7G: Principal versus Agent Considerations (Redeliberations)

Length of Discussion: 8:00 a.m. to 8:25 a.m. EST

Attendance:

Board members present: FASB: Golden, Buck, Kroeker, Linsmeier, Schroeder, Siegel, and Smith
IASB: Hoogervorst, Mackintosh, Cooper, Danjou, Edelmann, Finnegan, Kabureck, Lloyd, Gomes, Ochi, Scott, Suh, Tokar, and Zhang

Board members absent: None

Staff in charge of topic: Mazzella, Muir, and Walsh

Other staff at Board table: Cosper, Floyd, and Kallner

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The FASB and the IASB (the Boards) met to redeliberate amendments proposed to the principal versus agent guidance, in light of the feedback received on their respective Exposure Drafts: FASB Proposed Accounting Standards Update, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, and IASB Exposure Draft, *Clarifications to IFRS 15*. The Boards had proposed the same amendments.

The Boards affirmed the proposed amendments to clarify the principal versus agent guidance in Topic 606 and IFRS 15. The Boards' decisions follow.

Principal versus Agent Considerations

Principle for Determining Whether an Entity Is a Principal or an Agent

The Boards affirmed the principle in Topic 606 and IFRS 15 that an entity's promise is to provide a specified good or service to a customer (that is, the entity is a principal) when it controls the specified good or service before that good or service is transferred to the customer. In contrast, the entity's promise is to arrange for another party to provide that good or service (that is, the entity is an agent) when it does not control the specified good or service before it is transferred to the customer.

Unit of Account for the Principal versus Agent Evaluation

The Boards affirmed the proposals to clarify all of the following:

1. That an entity determines whether it is a principal or an agent for each specified good or service promised to the customer.
2. A specified good or service is a distinct good or service (or distinct bundle of goods or services) to be provided to the customer.
3. Depending on the circumstances, a specified good or service may be a right to an underlying good or service to be provided by another party.

(Vote: FASB: 7–0; IASB:14–0)

Application of the Control Principle

The Boards affirmed the proposals to clarify the application of the control principle in the context of services.

(Vote: FASB: 7–0; IASB:14–0)

Control Indicators

The Boards affirmed the proposals to clarify the role of the indicators in paragraph 606-10-55-39 of Topic 606 and paragraph B37 of IFRS 15. In particular, those amendments will:

1. Clarify that the indicators assist in the evaluation of control, rather than override or replace the control evaluation
2. Reframe the indicators to indicate when an entity is a principal, rather than when an entity is an agent
3. Clarify how each indicator relates to the control principle
4. Clarify that one or more indicators may be more or less relevant to the control evaluation in different contracts.

(Vote: FASB: 7–0; IASB:14–0)

The Boards also decided to eliminate exposure to credit risk as an indicator (paragraph 606-10-55-39(e) of Topic 606 and paragraph B37(e) of IFRS 15) as to whether an entity controls a specified good or service before it is transferred to the customer.

(FASB: 7–0; IASB: 14–0)

Next Steps:

The FASB directed its staff to draft a final Accounting Standards Update for vote by written ballot.

(Vote: FASB: 7–0)

General Announcements: None.