

MINUTES



MEMORANDUM

To: Board Members

From: Definition of a Business Project Team (Burgmeier x436)

Subject: Minutes of the February 17, 2016 Board Meeting **Date:** February 24, 2016

cc: Stacey Sutay (x270)

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: Definition of a Business (Phase 2): Clarifying the Scope of Subtopic 610-20 and Accounting for Partial Sales of Nonfinancial Assets

Basis for Discussion: Board Memo Nos. 21A, 21B, and 21C

Length of Discussion: 9:00 a.m. to 9:45 a.m.

Attendance:

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

Board members absent: None

Staff in charge of topic: Burgmeier

Other staff at Board table: Cospers, Proestakes, Yepes, Tanoue, Holle

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Board met to discuss issues on the development of an Exposure Draft addressing clarification of the scope of Subtopic 610-20, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets, and the accounting for partial sales of nonfinancial assets.

The Board has not yet determined the timing of the release of that Exposure Draft.

Tentative Board Decisions:

The Board discussed and made the following decisions about the accounting for undivided interests, the unit of account in partial sales transactions, and transition method.

Undivided Interests

The Board decided not to provide any explicit guidance on sales of an undivided interest in an asset in Subtopic 610-20, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets.

(Vote: unanimous)

Unit of Account in Partial Sales Transactions

The Board decided to maintain consistency with Topic 606, Revenue from Contracts with Customers, and require that the assessment of control be evaluated from the perspective of the counterparty in the transaction. The Board decided to clarify how an entity evaluates the transfer of control when the entity transfers ownership interests in a subsidiary that consists of assets subject to Subtopic 610-20. For example:

1. If an entity promises to transfer a 100 percent ownership interest in a wholly owned subsidiary to a single party, the entity transfers control of an asset when the counterparty in the contract obtains control of the asset.
2. If an entity promises to transfer an ownership interest in a subsidiary to multiple parties and does not retain an ownership interest in the former subsidiary, the entity transfers control of an asset when the other parties are deemed to collectively control the asset.
3. If an entity promises to transfer an ownership interest in a subsidiary and retains a noncontrolling ownership interest in that former subsidiary, the entity transfers control of an asset if (or when) the former subsidiary controls the asset.

(Vote: unanimous)

Transition

Subtopic 610-20 was issued as part of Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and will be effective the same time as Topic 606. Update 2014-09 allows entities to apply the amendments using a full retrospective or modified retrospective approach. The Board decided that an entity does not need to apply the same transition method for Topic 606 and Subtopic 610-20. For example, an entity can elect to apply the modified retrospective approach to Subtopic 610-20 and the full retrospective approach to Topic 606.

(Vote: unanimous)

The Board clarified that if an entity applies a different transition approach to Subtopic 610-20 transactions, it must comply with the disclosure requirements for that approach. In addition, the entity should disclose the method of transition for both Subtopic 610-20 and Topic 606.

(Vote: unanimous)

General Announcements: None.